



**USAID/PERU**

**Country Strategic Plan for Peru  
FY 2002 - FY 2006**

**June 30, 2001**

# USAID Strategic Plan for Peru FY 2002 - FY 2006

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**USAID COUNTRY DEVELOPMENT STRATEGY FOR PERU  
FY 2002 - FY 2006**

**GLOSSARY**

<b>AD</b>	Alternative Development ( <i>Desarrollo Alternativo</i> )
<b>ADP</b>	Alternative Development Program ( <i>Programa de Desarrollo Alternativo</i> )
<b>ADS</b>	Automated Directive System
<b>AIDS</b>	Acquired Immune Deficiency Syndrome
<b>AECI</b>	<i>Agencia Española de Cooperación Internacional</i> (Spanish Agency for International Cooperation)
<b>ARI</b>	Andean Regional Initiative
<b>BCG</b>	Tuberculosis Vaccine
<b>BCRP</b>	<i>Banco Central de Reserva del Peru</i> (Reserve Central Bank of Peru)
<b>BEPS</b>	Basic Education Policy and Support
<b>BIOFOR</b>	Biodiversity and Fragile Ecosystems Conservation Management
<b>BOP</b>	Balance of Payment
<b>CAF</b>	<i>Corporación Andina de Fomento</i> (Andean Development Corporation)
<b>CAR</b>	<i>Comité Ambiental Regional</i> (Regional Environmental Committee)
<b>CARE</b>	<i>Cooperación Americana de Remesas al Exterior</i> (Cooperative for American Relief Everywhere)
<b>CBO</b>	Community-Based Organization
<b>CEDRO</b>	<i>Centro de Información y Educación para la Prevención del Abuso de Drogas</i> (Center of Information, Education and Prevention on Drug Abuse)
<b>CEPCOM</b>	Clean and Efficient Production Component
<b>CI</b>	Conservation International
<b>CLAS</b>	<i>Comité Local de Administración de Salud</i> (Local Committee for Health Administration)
<b>CNC</b>	Counter Narcotics Center
<b>CNCB</b>	Counter Narcotics Control Board
<b>CONAM</b>	<i>Consejo Nacional del Medio Ambiente</i> (National Environmental Council)
<b>CONTRADROGAS</b>	<i>Comisión de Lucha Contra el Consumo de Drogas</i> (National Commission Against Drug Consumption)
<b>CORAH</b>	<i>Control y Reducción de la Coca en el Alto Huallaga</i>
<b>DA</b>	Development Assistance
<b>DAC</b>	Development Assistance Committee
<b>DEA</b>	Drug Enforcement Administration
<b>DHS</b>	Demographic Health Survey
<b>DIGESA</b>	<i>Dirección General de Salud</i> (Directorate for Environmental Health)
<b>DPT</b>	Diphtheria, Pertussis and Tetanus
<b>EAs</b>	Environment Assessment
<b>EH</b>	Urban Environmental Health Services and Hygiene Behavior Activity
<b>ENDES</b>	<i>Encuesta Demográfica de Salud</i> (Demographic Health Survey)
<b>ENR</b>	Environmental and National Resources
<b>EU</b>	European Union
<b>ESF</b>	Economic Support Fund
<b>FAO</b>	Food Agricultural Organization
<b>FY</b>	Fiscal Year
<b>GDI</b>	Gross Domestic Investment
<b>GDP</b>	Gross Domestic Product
<b>GEF</b>	Global Environmental Facility
<b>GOE</b>	Government of Ecuador
<b>GOP</b>	Government of Peru

<b>GTZ</b>	German Bilateral Assistance Agency
<b>GWE</b>	Girls and Women Education
<b>HIV</b>	Human Immune Deficiency Virus
<b>IDB</b>	InterAmerican Development Bank
<b>IDEA</b>	Increased Environmental Demand and Awareness Activity
<b>IDL</b>	<i>Instituto de Defensa Legal</i> (Legal Defense Institute)
<b>IEE</b>	Initial Environmental Examination
<b>IMR</b>	Infant Mortality Rate
<b>INEI</b>	<i>Instituto Nacional de Estadística e Informática</i> (National Institute of Statistics and Data Processing)
<b>INL</b>	International Narcotics and Law Enforcement
<b>INRENA</b>	<i>Instituto Nacional de Recursos Naturales</i> (National Institute for Natural Resources)
<b>IO</b>	Implementing Organization
<b>IQC</b>	Indefinite Quantity Contract
<b>IR</b>	Intermediate Result
<b>ISO</b>	International Standard Organization
<b>ITTO</b>	International Tropical Timber Organization
<b>JNE</b>	<i>Jurado Nacional de Elecciones</i> (National Election Board)
<b>LAC</b>	Latin America and the Caribbean
<b>LEA</b>	Licit Economic Activities
<b>LGIP</b>	Local Government Infrastructure and Participation
<b>M.T.</b>	Metric Tons
<b>MAAG</b>	U.S. Military Assistance and Advisory Group
<b>MEF</b>	<i>Ministerio de Economía y Finanzas</i> (Ministry of Economy and Finance)
<b>MES</b>	Mission Environmental Strategy
<b>MFI</b>	Micro Finance Institution
<b>MINSA</b>	<i>Ministerio de Salud</i> (Ministry of Health)
<b>MIPE</b>	<i>Ministerio de Pesquería</i> (Ministry of Fishery)
<b>MITINCI</b>	<i>Ministerio de Industria, Turismo, Integración y Negocios Comerciales Internacionales</i> (Ministry of Industry, Tourism Integration and International Commerce)
<b>MOE</b>	Ministry of Education
<b>MOH</b>	Ministry of Health
<b>MPP</b>	Mission Performance Plan
<b>MRTA</b>	<i>Movimiento Revolucionario Tupac Amaru</i> (Tupac Amaru Revolutionary Movement)
<b>MSP</b>	Microenterprise and Small Producers Support
<b>NAS</b>	Narcotics Affairs Section
<b>NADP</b>	National Alternative Development Program
<b>NGO</b>	Non-Governmental Organization
<b>OAS</b>	Organization of American States
<b>OE</b>	Operating Expenses
<b>ONPE</b>	<i>Oficina Nacional de Procesos Electorales</i> (National Office of Electoral Processes)
<b>ORES</b>	<i>Obra Recoletana de Solidaridad</i> (Work of the Recoletan Religious Order)
<b>OTI</b>	Office of Transition Initiatives
<b>OYB</b>	Operating Year Budget
<b>PAHO</b>	Panamerican Health Organization
<b>PANFAR</b>	<i>Programa de Alimentación y Nutrición para Familias en Alto Riesgo</i> (Feeding and Nutrition Program for High Risk Families)
<b>PARTICIPE</b>	Citizen Participation and Access to Justice

<b>PASARE</b>	<i>Programa de Apoyo a la Salud Reproductiva</i> (Productive Health Support Plan)
<b>PLANCAD</b>	<i>Plan Nacional de Capacitación Docente</i> (National Training Plan for Teachers)
<b>PMP</b>	Performance Monitoring Plan
<b>PRA</b>	Poverty Reduction Alleviation
<b>PROCETSS</b>	<i>Programa de Control de Enfermedades Transmitibles Sexualmente y Sida</i> (Program for the Control of Sexually-Transmitted Diseases and AIDS)
<b>PROMUDEH</b>	<i>Ministerio de Promoción de la Mujer y Desarrollo Humano</i> (Ministry of Women's Promotion and Human Development)
<b>PRONAA</b>	<i>Programa Nacional de Alimentos</i> (National Food Support Program)
<b>PVO</b>	Private Voluntary Organization
<b>R4</b>	Results Review and Resource Request
<b>RENIEC</b>	<i>Registro Nacional de Identificación y Estado Civil</i> (Civil Registry Office)
<b>SENREM</b>	Sustainable Environmental and Natural Resource Management
<b>SHIP</b>	Strengthening Health Institutions Project
<b>SIN</b>	<i>Servicio de Inteligencia Nacional</i> (National Intelligence Service)
<b>SISEM</b>	Strengthened Integrated System for Environmental Management
<b>SL</b>	Sendero Luminoso
<b>SO</b>	Strategic Objective
<b>SOAG</b>	Strategic Objective Agreement
<b>SPDA</b>	<i>Sociedad Peruana de Derecho Ambiental</i> (Peruvian Society for Environmental Law).
<b>SpO</b>	Special Objective
<b>STD</b>	Sexually Transmitted Disease
<b>SUM</b>	Sustainable Urban Management
<b>TA</b>	Technical Assistance
<b>TBD</b>	To be Determined
<b>TFCA</b>	Tropical Forest Conservation Act
<b>UN</b>	United Nations
<b>UNDP</b>	United Nations Development Program
<b>UNDCP</b>	United Nations Drug Control Program
<b>UNICEF</b>	United Nations Children's Fund
<b>USAID</b>	United States Agency for International Development
<b>USG</b>	United States Government
<b>WB</b>	World Bank
<b>WWF</b>	World Wildlife Fund

## PREFACE

What can we learn from the Fujimori years to shape a new five-year strategic vision for USAID/Peru? What went well? What went awry? What role did USAID/Peru play? These are questions that we have been asking our customers, our partners, our fellow donors, our government counterparts and most of all ourselves. This Strategic Plan lays out how each SO and SpO team answered these and other questions. As you will learn in the ensuing pages, the SO and SpO teams gleaned many lessons that will enhance our effectiveness. Many of you reviewed earlier drafts and helped us formulate the strategy. We thank you; and where we did not get it right, the responsibility is ours, not yours.

Our strategy focuses on the key lesson of the Fujimori years: a stronger democracy is essential for sustainable development in Peru. Authoritarianism weakened, jeopardized, and, if unchecked, might well have undone Peru's successes of the nineties – the defeat of terrorism, the stabilization and partial restructuring of the economy, reductions in poverty, sharp and much needed increases in social spending, the decline in illicit coca production, and peace with Ecuador. Over the decade, President Fujimori carried out sound economic and social policies that resulted in dramatic growth and real improvements in the well-being of the poor. For example, Ministry of Health primary care facilities went from 2,000 sites to 6,200 countrywide. Visitors who were last in Lima in the eighties find themselves disoriented by the economic facelift the city has undergone. Yet the lack of respect for human rights, manipulation of the media, political machinations, corruption, and unbridled executive power sank the government. The resulting undertow now threatens Peru's hard-won gains.

In today's world, the near universal acceptance of democracy makes authoritarianism inherently unstable. That instability in turn makes social and economic development under such governments unsustainable over the long term. In his recent book, "Aiding Democracy Abroad", Thomas Carothers notes the attempts by some USAID Missions to make democracy a cross-cutting theme rather than establish a "democracy" strategic objective. Given the exigency of reinvigorating Peru's democracy, we want to go beyond democracy as a cross-cutting theme. We want it to be the core of the Strategic Plan and to leverage the entire program budget to assist Peru in strengthening its democracy. Hence we have a democracy strategic objective (SO1) and have made strengthening democracy the overarching theme of the Strategic Plan.

Ensuring the participation of the poor in decision-making affecting their lives is one obvious way to incorporate democratic values throughout the portfolio. Such participation teaches lessons in building consensus and resolving differences; and we have emphasized this practice. Mr. Carothers, however, challenges us to move beyond obvious mechanisms and to analyze how the subtleties in the design of all our activities may affect policies. For example, if successful, how will our Poverty Reduction and Alleviation (PRA) activity which seeks to develop ten key "corridors of economic growth" in the *sierra* and *selva* affect the distribution of political power in Peru? How will it impact the national debate over decentralization? Will successful small producers become more active politically and, if so, how? Will it generate more political will to clear away the legal underbrush hampering exports from outside Lima? We must seek to better understand the political dimensions of our activities and maximize their favorable impact on democracy.

Of course, a more representative and stronger Peruvian democracy will not guarantee sustainable development during the next five years. It will, however, give the poor a greater voice in decisions relating to their well-being. Given Peru's poverty and inequities, that voice may sometimes support populist or other less effective policies. Nonetheless we are confident that in the long run citizens with more control over their destiny will make choices that improve



the health, education, and economic opportunities of their families. The finding of World Bank economist Amartya Sen, that modern democracies have not permitted widespread famine, tends to corroborate this judgment.

We thus seek to reinforce the natural symbiosis between democracy and sustainable development within each SO and SpO. For example, SO3 promotes well-informed Peruvians who will know how to avoid high-risk behaviors, thereby preventing disease. These Peruvians will be healthier, and therefore better able to participate in the civic life of the country. As informed citizens and voters, they will be more likely to push for policies and candidates committed to affordable, quality health care with respect for patients' rights.

Some of you will ask why we are formulating our strategy now when Peru is in transition. The answer is twofold. First, we don't expect the broad trends shaping Peru to change dramatically during the next year. Peruvians are shaking off authoritarianism and seeking a more genuine democracy. The economy, though wavering, is maintaining its equilibrium. After steadily declining during the nineties, poverty is again increasing. Second, we have built flexibility into each SO and SpO so we have some leeway to adjust to the new priorities of the next government. Finally, we are prepared to amend our strategy next year should the new government's priorities or other developments warrant substantial adjustments.

We would like to thank all of those who have contributed their ideas and energies to this strategy. Their criticisms and contributions have helped make this Strategic Plan a much improved, more readable work product. We also appreciate the support of the Embassy country team, especially the Ambassador and Deputy Chief of Mission.

We conclude with former Administrator Brian Atwood's words from his 1998 visit to Indonesia:

"Some commentators went so far as to reason that developing nations were better off without democracy in trying to encourage their economies to grow. That notion is simply ridiculous. Free markets and democracy belong together. Good and democratic governance can ensure that the benefits of growth flow to all of a society's people, and it gives citizens a safety valve to remove officials who are corrupt, inept or who are simply not committed to sound public policy."

**PART I:**  
**SUMMARY ANALYSIS OF ASSISTANCE ENVIRONMENT AND**  
**RATIONALE FOR THE PERU PROGRAM**

## EXECUTIVE SUMMARY

As the first year of the 21<sup>st</sup> century comes to an end, Peru is confronting serious political and economic challenges. After impressive growth in the mid 1990s, the last three years have transformed the economic and political landscape. The sequence of events that contributed to this shift were the natural disaster of El Niño in 1997, the global financial turmoil of 1998, and the political crises resulting from the controversial national elections in 2000. Now Peruvians, especially the poor, are questioning whether they have more opportunities to improve their lives. Moreover, Peruvians now view with even more skepticism their democratic institutions and processes. In spite of recent setbacks, Peru has shown its resilience and capacity to withstand external shocks, maintain its commitment to reducing poverty, settle long-standing border disputes, confront vestiges of terrorist insurrection groups that ravaged Peru for two decades, and continue its commitment to eradicate the production of coca. With the recent commitment of the new and transitory Government of Peru (GOP) to deepen and expand democratic processes, and the call for new elections in 2001, Peru has an opportunity to recover from its internal crises and continue on the path toward greater political competitiveness and an open market economy.

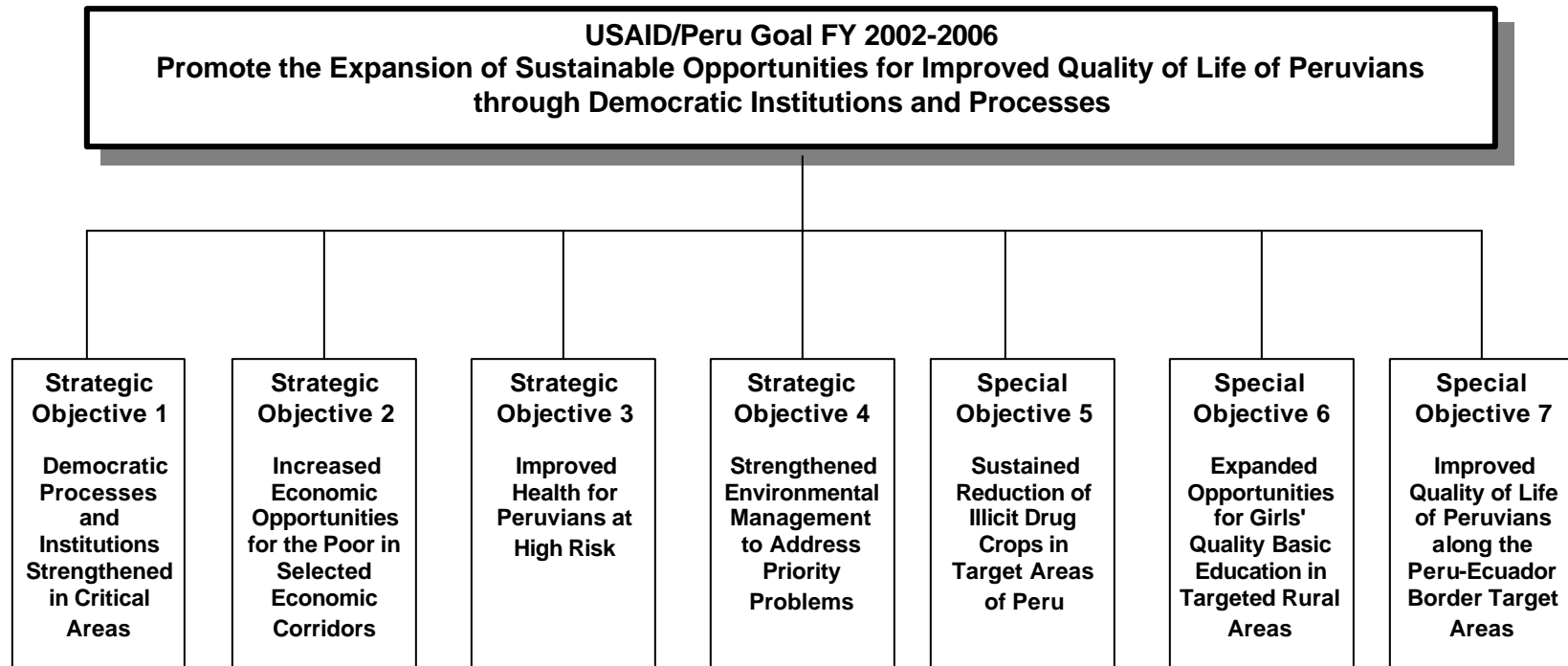
USAID/Peru's strategy for FY 2002-FY 2006 will help Peru achieve its goals of strengthening its democracy, generating increased employment and promoting the overall well-being of the people. Our assistance efforts will focus on democratization as Peru's success in social and economic growth is inextricably linked to democratization and good governance. Repression, exclusion of marginalized groups, human rights abuses, disregard for the rule of law, corruption, and autocracy reduce confidence in and public support for the country's government and undermine development. For these reasons, USAID/Peru's highest priority will be to strengthen democratic processes and institutions in Peru.

Based on this priority, USAID/Peru proposes to achieve seven closely related strategic and special objectives during this strategy period to reach the Mission goal of **promoting the expansion of sustainable opportunities for improved quality of life of Peruvians through democratic institutions and processes**. The objectives are to:

- strengthen democratic processes and institutions in critical areas;
- increase economic opportunities for the poor in selected economic corridors;
- improve the health for Peruvians at high risk;
- strengthen environmental management to address priority problems;
- sustain reductions of illicit drug crops in target areas of Peru;
- expand opportunities for girls' quality basic education in targeted rural areas; and
- improve the quality of life of Peruvians along the Peru-Ecuador border target areas.

This document presents the United States Agency for International Development (USAID) Country Development Strategy for Peru for the five-year period from FY 2002 to FY 2006. It proposes that approximately \$513 million in Development Assistance (DA), Economic Support Funds (ESF) and P.L. 480 Title II Food Aid be made available for Peru. These resources will be used to support high priority U.S. foreign policy goals recently approved in the U.S. Mission Performance Plan (MPP) and assist Peru to achieve broad-based sustainable development.

Figure 1: USAID/Peru Results Framework



## **A Country Overview**

### **Background**

Peru is characterized by an immense diversity of cultures, languages, and geographical terrain. The country's 1,285,216 square kilometers, approximately the same size as California, Texas and Oklahoma combined, contain one of the most varied and harsh geographies in Latin America, including a coastal arid desert, unique cloud forests, the rugged Andes Mountains, and tropical jungles. Peru has an abundance of natural resources and its biodiversity is one of the richest in the world. The country is home to approximately 25 million people of various cultures who speak over forty different languages. The difficult terrain, varied cultures, and variety of languages present unique challenges for Peru's development.

### **Overview**

Peru's democratic transition in the 1980s was undermined by economic mismanagement, excesses of executive authority, inadequate civilian control over the military, weak political parties and political institutions, a weak congress and widespread terrorism. Upon assuming power in 1990, President Alberto Fujimori's administration was greeted with grave problems: a collapsed economy and hyper-inflation, rampant political violence and terrorism, lack of state authority over much of its territory, and institutionalized trafficking in narcotics.

In the early 1990's, Peru was a troubled country in the midst of a deep and largely uncontrolled leftist-oriented terrorist insurgency that wantonly destroyed human lives, private and public property, and key physical infrastructure. Also, due to macroeconomic mismanagement and corruption, Peru's economy was deteriorating, its revenue base was shallow and shrinking, and capital flight precipitated the loss of jobs and a decline of public investments in the social sectors. The illicit and powerful narcotics production trade and those who trafficked in it further challenged Peru's regional standing.

As a result of the first Fujimori administration's bold and thorough economic reforms, and its commitment to restoring peace and order for all Peruvians, Peru quickly regained the respect and admiration of the international financial community. Speedy and successful implementation of these reforms unleashed the forces of the free market. As a result, desperately needed private domestic and foreign direct investments resumed, and Peru's revenue base expanded. As was to be expected, the private sector fueled the engine of economic growth and Peru's economic performance improved markedly. Poverty levels began to decline and social progress resumed as evidenced by improved performance in the health and education sectors. Terrorism was reduced to minor threats and coca production declined. In spite of the dismantling of the Congress in 1992, President Fujimori's re-election in 1995 served as ample testimony to the confidence of the electorate in the results achieved. To complete the pacification efforts, the GOP negotiated an end to Peru's border dispute with Ecuador that had both countries at war on several occasions during the previous 57 years. Also, in 1999, 70 years after a peace accord was signed with Chile, all outstanding issues of the agreement were resolved. Thus, internal and external peace was accomplished.

Unfortunately, Peru's successes in the early-mid 1990s were accomplished at the expense of weakening democratic institutions. Peru's fragile democracy suffered even more when President Fujimori resolved to run for a third term in 1999, something prohibited by the constitution. Following the controversial elections of April and May 2000, Peru experienced political instability and the private sector once again adopted a wait-and-see attitude, causing unemployment to rise and gross domestic product (GDP) to decline. Moreover, a serious

bribery scandal involving the President's closest advisor, Vladimiro Montesinos, former de-facto head of the National Intelligence Service (SIN), forced President Fujimori to call for new elections in 2001 and subsequently resign the presidency. The head of Congress, Valentin Paniagua, was then appointed President of Peru for the eight months prior to the inauguration of the new elected President. Paniagua's interim government has since committed itself to ensuring a free and fair electoral process, and agreed to make economic and political stabilization a priority during this transition period.

The military has also played a critical role in the stability of Peru. Strong civilian-military relations are critical to the maintenance of democracy and public order in Peru; however, during the last two months of Fujimori's administration the relationship between the military and the presidency proved to be conflictive and unstable. A small, and ultimately unsuccessful, uprising initiated by a lieutenant colonel in southern Peru this year exemplifies the fragility of Peru's democracy. Also, the former triangular relationship between then President Fujimori, the SIN, and the armed forces was indispensable to maintaining order, but has since been dissolved, creating a power vacuum with no alternative sources of leadership stepping in. In its attempt to reestablish political stability, the interim GOP has taken active measures to remove corrupt military officials and reorganize the armed forces.

The resolution of Peru's current political crisis requires not only the support of all Peruvians, but also that of the donor community. USAID has a unique opportunity to play a key role in Peru's efforts towards democratization and help the country return to the path of sustained economic growth and development.

### **Future Strategic Focus – Building on Results**

Throughout the 1990's, USAID has proven to be Peru's most prominent bilateral partner. USAID/Peru has assisted with poverty alleviation and reduction efforts through social investment projects and direct feeding programs that targeted the most vulnerable and food insecure Peruvians. Also, it has supported efforts in developing the micro-finance and micro-enterprise sectors; improving market access; fostering democracy and good governance, including national and local elections; making available quality basic health delivery services to economically marginalized Peruvian households; promoting sound environmental policies and the sustainable use of natural resources; reducing significantly the production of coca by providing licit livelihood alternatives; increasing the availability of quality basic education, especially for girls; and improving the enabling environment for sustainable economic growth, and greater participation of all segments of the population.

USAID/Peru's current strategic objectives support: 1) broadened citizen participation in democratic processes by strengthening national institutions, increasing access to justice, improving the capacity of local governments to respond to the needs of their constituencies, and making citizens more aware of their rights and civic responsibilities; 2) increased incomes of the poor by instituting a policy environment conducive to private investment flows and employment generation, increased market access, improved capacity of the extremely poor, strengthened organizational outreach and increased production and productivity; 3) improved health, including family planning of high-risk populations by providing quality basic services through private-public partnerships, preventive, promotive and curative actions, and strengthened viable institutions; 4) improved environmental and natural resources management in targeted sectors by strengthening private-public sector capacity, greater advocacy by the public for environmental improvements, environmentally-sound viable practices, policy legislation and implementation and leveraging of other donor resources; and 5) reduced illicit coca production in targeted areas by promoting sustainable alternative income and employment generation activities, improved

quality of life, increased awareness of the damages caused by drug production and use, and by suppressed narcotics trafficking through law enforcement and interdiction efforts.

As the Mission completed its first and second calendar years of implementation of the current strategy, two Special Objectives were added to the program in response to President Clinton's appeal for increased assistance to global basic education efforts, and to demonstrate the U.S. commitment to the successful implementation of the Peru-Ecuador Peace Accords. To this end, support is being provided for expanded opportunities for girls' quality basic education in targeted rural areas, and for improved quality of life of Peruvians along the Peru-Ecuador border.

## **Major Accomplishments**

Following four years of implementation, accomplishments of the USAID/Peru country program have been significant and widespread, as described in the annual R4 documents. Some highlights are:

- With USAID support, greater access to justice was achieved as evidenced by the provision of legal and conciliation services to over 86,000 poor people and the release of over 2,500 unjustly incarcerated people. Also, citizen awareness of their rights and responsibilities increased and the level of citizens' confidence in the Office of the Ombudsman is now second only to the Catholic Church.
- USAID has proven its ability to influence national policy for reducing poverty. USAID supported the development of Peru's Food Security Strategy with the extensive involvement of concerned public and private sector institutions. Widely disseminated, the strategy has helped establish the foundation of the major GOP anti-poverty initiative now under implementation. In addition, USAID improved the food security of more than one million poor Peruvians, and provided economic opportunities, through greater access to markets and credit, to more than 65,000 microentrepreneurs and small farmers.
- Greater awareness of the rights of the poor to demand access to health care and family planning services is now widespread in Peru. USAID support has resulted in the increased demand and utilization of health services in over 1,000 poor communities through programs provided by ten indigenous non-governmental organizations (NGOs) implementing partners.
- The GOP and the U.S. Government (USG) have established a \$24 million fund under the America's Fund to support environment and natural resources (ENR) conservation, preservation and protection-type activities. USAID support has stimulated the adoption of an array of ENR institutional and policy-related laws, regulations and procedures. This has resulted in a policy shift, away from a traditional mitigation strategy to one where industrial pollution is reduced at the source. Also, Peru has increased the amount of protected natural areas to 17.9 million hectares, which is approximately equivalent to 14% of the national territory.
- Through USAID-funded technical assistance, viable and environmentally sound economic alternatives to coca farming are being developed. Already, there are over 8,000 participating Andean coffee farmers who receive a premium price in return for quality beans and other food crops destined for the U.S. and Lima markets. As a result of the removal of key constraints to on-farm production, USAID is now expanding into "hard core" coca producing areas, helping to reduce the supply of cocaine destined for the U.S.
- USAID supported the establishment of the National Network for Girls' Basic Education, comprised of policy-making leaders from the public sector, civil society, business sector,

NGOs, universities, the Catholic Church and the business sector. The Network has increased national awareness of the importance of and the constraints to girls' quality education, a theme that was not previously considered in any policy agenda.

- In support of the consolidation of the peace agreed to between Peru and Ecuador, USAID was the first donor to provide assistance and show tangible benefits of the Peace Accord to border populations. In less than a year, in a collaborative effort with the municipalities, more than 2,000 people in 43 communities implemented and completed basic infrastructure projects, including potable water, latrines, rural roads, and rehabilitation of schools. Success of the border initiative resulted in leveraging GOP and other donor funds to complement community infrastructure in the same communities where USAID is working.

## B. Peru Development Overview: The Continuing Challenges

### Macroeconomic trends

At the end of 1995, Peru's GDP was growing at 8.6%, after having enjoyed spectacular growth of 12.8% in 1994. In 1996 growth dropped to 2.5%, and in 1997, despite the negative effects of El Niño, bounced back to 6.7%. However, in 1998, a global financial crisis compounded the negative impact of El Niño and shocked the economy. International lines of credit suddenly constricted and foreign investment stalled. As a result, in 1998 GDP dropped to -0.4%, bringing to an end the impressive economic performance between 1993 and 1997 when the average rate of growth was 7%. During 1999, GDP grew at a rate of only 1.4%, less than the 1.7% population growth rate.

**Table 1: Key Economic Indicators**

<u>Economic Indicators</u>	<u>1990</u>	<u>1996</u>	<u>1999</u>
GDP (\$bill.)	37.3	55.8	52.0
GDP growth rate (%)	-5.1	2.5	1.4
Inflation rate (%)	7,649.6	11.5	3.5
Fiscal deficit (% GDP)	8.7	1.0	2.9
Tax Burden (% GDP)	10.8	13.9	12.6
Current Acc. deficit (% GDP)	4.7	6.2	3.5
Private Investment (% GDP)	12.9	21.3	17.2
Exports (\$ bill.)	3.3	5.9	6.1
Public External Debt (% GDP)	63.2	45.2	37.5

Despite the slumping economy, the GOP has maintained strict fiscal discipline. Inflation is at its lowest level in a decade, dropping steadily from 7.3% per annum in 1995 to 3.5% in 1999. Unfortunately, recent oil price increases may fuel inflation, and reverse the downward trend. Fiscal discipline combined with the GOP's continuing commitment to allocate 40% of its budget to social sectors has been instrumental in cushioning the socio-economic impact of the financial crises.

During 1998, many companies could not service their high indebtedness, thereby triggering a major restructuring of the financial sector. In 1999, the rate of Gross Domestic Investment as a percentage of GDP decreased substantially after being steady since 1995 at an average level of 24%. During three of the last five years, Peru had a positive balance of payments (BOP) as the current account deficit was financed by the inflow of investment. Commercial trade with the U.S. continues to represent 25-30% of Peru's total commercial trade, and U.S.-registered direct investment rose to \$1.8 billion in 1999. Exports and direct foreign investments have been crucial to strengthening Peru's BOP in the recent past. Peru's public and private external debt for the medium-and long-term is equivalent to 45% of GDP and short-term external debt is 10%. Hence, Peru's debt burden still represents a significant pressure on the economy.

The present level of Peru's private sector domestic savings is not enough to sustain the investment required to generate the level of employment that will likely be demanded during the next five years. Thus, the difference may have to be made up with foreign direct investment. Nevertheless, if economic factors behave as they have previously, notwithstanding external shocks and barring any dramatic moves by the GOP in the economic front, Peru could



anticipate an average growth rate for the years of the Strategic Plan in the range of 4-4.5% per year. The expected growth rate, however, will not be enough to significantly reduce Peru's poverty problems.

## **Towards democratization**

Peru overcame its national crises in the early years of the 1990s at the high cost of weakening its democratic institutions. After the "self-coup" in April 1992, several major institutional reforms were introduced in the Constitution that was approved in 1993, showing what looked like growing political will for Peru's democratization. However, after 1995, this political will began to decline, particularly as the presidential elections of 2000 approached. Efforts to ensure independence of the legislative and judicial branches, as well as foster decentralization to local governments diminished. The controversial national elections of April/May 2000 led to political polarization of the country and international concern for Peru's fragile democracy. As a result, the OAS member countries met and agreed on a set of recommendations for effecting 27 democratic reforms, which was accepted by all Peruvian political parties. President Fujimori's decision to call for new elections in 2001 and his subsequent resignation, now provide an opportunity for the emergence of greater political competition, democratic reforms and respect for human rights.

Peruvian civil society organizations have been key actors in defending democracy and human rights. Human rights in Peru have improved somewhat over the last few years, due in large measure to the successful campaign against terrorism and a corresponding decline in political violence. Additionally, there have been some advances made in the promotion and protection of women's rights over the past five years, although domestic violence, especially against women, is still a serious concern. Despite the involvement of civil society organizations in these advances, Peru continues to lack viable political parties and national level interest groups capable of aggregating and representing the diverse interests of the citizenry in the political arena, holding governments accountable, and proposing a coherent policy agenda.

Today there are no legal barriers to political participation and adult suffrage is universal and obligatory. Women must comprise at least 25% of the lists of candidates to Congress or municipality council members. Nevertheless, there are deep-seated socio-economic and cultural problems that continue to impede the efforts to consolidate democracy in Peru. Illiteracy, pervasive and persistent poverty, lack of economic opportunities, and poor quality public education limit participation of rural women, indigenous populations and other ethnic groups. Also, the much promised decentralization process is stalled and incomplete, due in large part to a lack of political will. Regional governments are not elected, but rather appointed by the executive branch. Although there has been an increase in resource transfers to the local level, decision-making and control over resources are still concentrated in Lima.

Until recently, the legislature rubber-stamped nearly every bill submitted by the Fujimori government. Current election rules, the structure of representation, and the weakness of the political parties represented in Congress all contributed to this major weakness. Congress has, however, modernized in some respects. Information on the voting record of legislators and the text of the bills passed is now public record, although the link between legislators and constituents is weak. While the Constitution allows civil society organizations and local governments to initiate draft legislation and permits citizens to promote a referendum, formal requirements are real obstacles to the exercise of these rights.

During the Fujimori administration, the media played an important role in democratic transitions but suffered from poor management and financial vulnerability. The broadcast media and portions of the print media are still heavily dependent on public sector advertising. During the last two years, the media in Peru was effectively split into two partisan camps, those in favor of

and those opposed to the Fujimori government. This partisan perspective tended to favor reporting based more on opinion and political preferences than on facts. However, sectors of the media have been able to exercise a watchdog role over government affairs. Now, as part of the measures taken by the transition GOP, administration of two television stations has been returned to the original owners.

In recent years, political manipulation of the judiciary, disregard for the rule of law and basic citizen rights and liberties, and limited government transparency eroded political trust, and compromised the system of checks and balances on the executive. In addition, the judicial branch did not uphold constitutional limits on executive and legislative authority. The most serious problem of the judiciary was the lack of independence that allows politics and other non-judicial considerations to influence decisions. Fortunately, the transition government is allowing the judiciary to start the process of reorganizing, beginning with the ousting of the Attorney General, another close friend of the prior GOP administration. Also, on the positive side, the office of the Ombudsman, an autonomous state institution whose mandate is to respond to abuses of power in all branches of government, gained prominence over the last several years in the public arena.

### **Persistent poverty despite growth**

Peru's social conditions (see Table 2) improved during the last decade. However, since 1998 the real per capita income of Peruvians has decreased by 1.2% per year. Unemployment in Peru has fluctuated from around 7.5-8% in the last three years, but underemployment is high, affecting 50-52% of the labor force. Despite good progress through 1997, the recession of 1998 and 1999 reversed the downward trend in the number of poor persons. In 1997, 50.7% of Peru's population was considered poor, with 14.7% categorized as extremely poor.

**Table 2: Key Social Indicators**

<b>Social Indicators</b>	<b>1990-93</b>	<b>1995-97</b>	<b>1999-2000*</b>
Rural Infant Mortality	80	62	63
Rural Under-5 Mortality	112	86	53
Rural Total Fertility	6.2	5.6	4.3
Rural Female Illiteracy Rate	42.9	36	25
Chronic Malnutrition	34	24	24
Access to Potable Water (%)	69.0	74.0	81.9
Access to Sewerage (%)	60.5	71.9	78.7
Access to Electricity (%)	55.0	66.0	75.2
Education spending (% GDP)	2.4	2.7	3.5
Health spending (% GDP)	0.7	1.3	1.6

\*Preliminary

This compares with 53.4% and 19%, respectively, as reported in 1994. However, according to the most recent living standard measurement survey, at the end of the first semester of 2000, 54% of the population now falls below the poverty line. Extreme poverty has remained near the 15% mark. Low inflation, lower costs for basic food items, and ongoing targeted social programs have prevented an increase in extreme poverty. Also, in the last three years, both urban and rural poverty increased. Although 66% of those who live in rural areas still remain poor, poverty in metropolitan Lima increased by 10% -- an eight-fold increase over the rural areas (1.3%). An additional area of concern is the increasing inequality in Peruvian society between 1994 and today. This situation is exacerbated by the current political conditions, and concomitantly, the effective suspension of Peru's economic and institutional reform agenda.

### **Low quality education**

In the last ten years, the illiteracy rate of those 15 years of age or older declined from 14.5% to 5.2%, while access to primary education increased from 75.1% to 97%. However, access to quality education continues to impede the country's development. Peru invests about 3.5% of GDP in education, compared to an average of 5-6% for most Latin American countries. This is disconcerting in light of inefficiencies of the centralized education system and its fragmented systems for planning and prioritization. Very low salaries discourage teachers from staying in the system, and particularly from working in the neediest areas. Teachers are not accountable

to local authorities, and citizens have minimal recourse to poor quality. Other challenges include rural isolation, over 40 spoken languages other than Spanish, a variety of cultural values and practices, and a tendency to value the education of boys over that of girls in some areas of the country. Notwithstanding these constraints, the Ministry of Education, teachers, as well as civil society, local governments and parents, are increasingly interested in improving the quality of basic education and are committing more time, effort and resources to assure such quality.

### **High malnutrition and an unresponsive health system**

On a national level, the overall health status of Peruvians has continued to improve significantly. In the last ten years, immunization rates of children under one year of age increased from 68.3% to 99% coverage. The infant mortality rate has decreased from the 1990 levels; however, the gap in infant mortality between urban and rural populations remains high at 33/1000 and 55/1000, respectively. Adolescent pregnancy is on the rise. Despite the expansion of health services, they still do not meet quality standards to respond to the health needs of the people, especially those most at risk. HIV/AIDS is considered a serious threat. Although it has not yet reached epidemic proportions, there is concern over the success of health programs reaching high-risk groups, a segment of the population not traditionally served by the health system. The slow down of the economy has jeopardized the sustainability of both public and private health programs.

In the past, Peru has suffered from an inadequate overall supply and availability of food. Among the culprits are: low agricultural productivity, drought, rural violence accompanied by abandonment of farms, scarcity of foreign exchange, and, perhaps most importantly, low effective demand for food by Peru's poor. Since 1995 the situation has improved somewhat nationally, but there continues to be a severe caloric deficit among population groups living in the rural *sierra* (highlands) and *selva* (jungle).

The high levels of poverty in the country translate into chronic malnutrition. Although chronic malnutrition in children has been decreasing since the early '90s, it is still disturbingly high as one in four Peruvian children under the age of five is currently chronically malnourished, a condition that is irreversible and has life-long repercussions. The problem is particularly difficult in the rural *sierra*, where the incidence of chronic malnutrition approaches 50% and where over half of the country's malnourished children live.

### **Increasing environmental threats**

Peru's sustainable development is inextricably linked to its ability to maintain and sustain a healthy natural resources base. Peru is classified as one of the most biodiverse countries in the world. Unfortunately, deforestation continues at an estimated rate of 0.4% per year. Industrial and household waste contaminate the main coastal rivers that discharge into the ocean, and two of the four key rivers in the rainforests are polluted from oil drilling activities and chemical residues and waste from coca processing. Mining pollution has severely contaminated the air, and bodies of water, especially in the highlands. Solid waste treatment in urban and peri-urban areas is deficient, thus posing a threat to human health. Poverty increases pressure on the land and public services, and strains an already limited capacity for the conservation of natural resources.

There continues to be low awareness of environmental problems and of cleaner production technologies, as well as an absence of consumption patterns that protects the environment. A weak regulatory framework allows unsustainable use of natural resources and externalization of costs by private interests. This situation is aggravated by the short-term view of those living in poverty. To maintain their marginal livelihoods, the poor often utilize their natural resources in

an unsustainable manner. Unclear lines of responsibility and authority for natural resource protection and management, as well as incoherent policies, have hampered implementation of new environmental protection and natural resource management policies, and regulations.

### **Continuing narcotics production and trafficking**

In 1993, Peru was the world's leading producer of coca leaf. It provided 70% of the raw material used in making cocaine for illicit world markets and 80% of the raw material used in making cocaine consumed in the United States. This caused serious political, economic, and social disruptions to Peru. Deforestation, erosion and the disposal of toxic chemicals used for coca production also caused substantial ecological damage. Links between narco-traffickers and terrorists undermined legitimate government authority in coca-producing areas, and gave rise to anarchy and impeded democratization and community development programs.

To address this situation an alternative development approach was designed to support the goals of the GOP's National Drug Prevention and Control Plan; and the USG efforts to control cocaine production and trafficking in source countries as outlined in President Clinton's Counterdrug Policy for the Western Hemisphere, known as Presidential Decision Directive or PDD-14. These efforts reduced coca cultivation from 129,000 hectares in 1992 to 38,700 hectares in 1999, including 8,000 hectares to supply coca leaf for legal use in Peru. Nevertheless, Peru remains one of the world's leading producers of coca leaf and coca-based products. In addition to international narco-trafficking, domestic drug abuse is of increasing concern.

### **C. U.S. Foreign Policy Interests and Peruvian Goals**

The overriding U.S. national interest in Peru is to sustain peace and stable democratic systems. Maintaining Peruvian cooperation in combating narcotics trafficking leads a second tier of interests that includes the promotion of U.S. economic and commercial interests, the alleviation of Peruvian poverty, the collaboration on cross-border enforcement needs, and the protection of U.S. citizens.

USAID/Peru's proposed Strategic Plan for the period FY 2002-FY 2006 is fully supportive of the U.S. strategic goals in the FY 2000-FY 2002 Mission Performance Plan (MPP). The most important strategic goal for USAID/Peru is the promotion of democracy and human rights, which is central to support for the rule of law, long-term stability and economic prosperity. Other strategic goals include reducing the cultivation of illicit drug crops; furthering regional stability by supporting the implementation of the Peru-Ecuador Peace Accords; encouraging broad-based economic growth; improving human health and reducing the spread of infectious diseases; helping people realize their reproductive intentions; improving literacy; and stemming global and regional threats from environmental and natural resources degradation and loss of biodiversity.

Moreover, USAID's strategy supports GOP priorities and the commitments that Peru, the U.S and other countries subscribed to in the Summit of the Americas and the world conferences. (See Table 5, at the end of Part I for a summary of the contributions to the development goals set forth by the donors under the Development Assistance Committee, USG and USAID).

### **Government of Peru Goals**

Although a new government will be elected in 2001, it is expected that democracy, poverty reduction, and employment generation will continue to be areas of top priority for the next five years. Despite this current period of uncertainty, USAID/Peru expects both the interim and new governments to continue encouraging value-added exports, and be willing to move forward on

the decentralization of value-added production, generating more employment outside Lima. Under such a plan, competitive productive activities that generate exports and employment will be promoted throughout the country. Agriculture, which still remains the primary source of income for many of the rural poor, will be given special attention through concerted actions by the private sector, agricultural producers and governmental agencies to increase productivity. In the *selva*, rational exploitation of the forests will be promoted with export restrictions. Tourism will be encouraged by the expansion of airports and the rehabilitation of road infrastructure to enable access to new tourism sites. On the social front, education and health will continue to receive top priority and the coverage of utility services for households throughout the country will continue to be increased.

The macroeconomic goals of the current GOP administration for the next five years are: an annual GDP growth rate of 5-6%; an inflation rate below 4%; a current account deficit no greater than 4% of GDP; a fiscal deficit (at present close to 2.5-3% as compared to 0.8% in 1998) reduced to 2% or lower; unemployment and underemployment reduced significantly; the maintenance of the current tax structure; and a tax revenue equivalent to 15% of GDP.

#### **D. Rationale for the Proposed Strategic Plan**

Since USAID/Peru prepared its last strategy in late 1996, Peru's social, political and economic palette has assumed a different mosaic. Significant progress is evident in a number of areas and new challenges have arisen. To objectively assess the continuing and new opportunities for USAID, USAID/Peru carried out substantive interaction with its customers, partners and other donors and conducted several mid-term evaluations and analyses. This process insured validation of the strategic focus of on-going interventions and identification of areas to further build program synergies. The FY 2002-FY 2006 strategy builds on the strengths and successes of our current strategy and capitalizes on opportunities to extrapolate site-based and activity-specific successes for other regions of the country. To this end, the Mission received assistance from the Global and the LAC Bureaus as well as independent technical assistance from several sources to conduct SO, SpO and/or sector specific evaluations and assessments. USAID/Peru was also guided by the strategic resources parameters provided by the LAC Bureau.

#### **Development Hypothesis**

USAID/Peru's overarching development hypothesis is that the way to promote the expansion of sustainable opportunities for improved quality of life for Peruvians is through strengthening democratic processes and institutions. A concerted, multisectoral effort to strengthen democratic processes and institutions at this critical moment in Peru's history is the strategic focus that unites the various activities in the USAID program for FY 2002-FY 2006. In this context, "democratic" refers to an aggregate of values and practices that will be woven into the fabric of seven strategic and special objectives. The general concept of "democracy" that pervades the strategy includes a number of dimensions: (1) empowering individuals (especially the least empowered groups, such as the poor, women, ethnic minorities, etc.) to take greater control of their lives; (2) assuring the rights of individuals to partake in the benefits of economic and political development; (3) creating opportunities to participate in and influence the communities and institutions that affect them; and (4) providing access to social services (education, health, nutrition, protection, safe environment, etc.) that respond to their needs and desires. At the level of local communities, our concept of "democracy" includes: (1) decentralized public services that permit a large degree of local community control and management; and (2) improved local organizations that permit communities to mobilize their own resources and control their own development.

## Areas of Focus

The ascension to greater economic and political stability is predicated on continuing progress to consolidate the multi-faceted gains of the last decade, and reinforcing those conditions that are conducive to deepening the roots of democracy and empowerment of all strata of Peruvian society, and the improved capability of its national institutions. USAID has demonstrated its comparative advantages in the priority areas that correspond to the U.S. national policy interests, and Summit of the Americas and Peruvian goals as evidenced during implementation of the current strategy.

## E. Proposed Strategy

### Mission Goal

The goal of the proposed USAID/Peru Strategic Plan and Program for FY 2002-FY 2006 is ***to promote the expansion of sustainable opportunities for improved quality of life of Peruvians through democratic institutions and processes.***

### Elements of Strategy

The strategy addresses U.S. national interests, Agency goals, the critical needs of Peru, programs of other donors, and USAID's resources and comparative advantages. Moreover, in response to the highest priority placed by the U.S. country team in assisting Peru in its democratization process, USAID/Peru's strategy will respond to the challenges of democratic governance and equity faced by Peru over the next five years. The strategy consists of the following elements:

- Strengthening *democratic processes and institutions*. Each SO and SpO will promote democratic values and practices in their activities. Each will contribute to an enabling environment that respects human rights and the rule of law, encourages political participation of all segments of the population, promotes peaceful and open competition for political power, and is characterized by responsive, transparent, and accountable governance. As individuals and communities enjoy more democratic practices, increased demand will be placed upon formal political institutions to act according to democratic principles. Peru's democratization is essential not only for guaranteeing basic freedom, but also for the political stability needed to generate investment and sustainable economic growth.
- Fostering an improved *quality of life*. We will continue to help the most vulnerable and disadvantaged Peruvians to take greater control of their future, to improve their economic conditions, to become better nourished, healthier, more educated, to live in a drug and violence-free, healthy environment, and in a society that is more stable, just and based on the respect of human rights. In turn, an economically secure, healthy, informed and free citizenry will support a sustainable democracy and regional peace.
- Promoting *opportunities* for an improved quality of life. Our interventions recognize that choices are to be made by the Peruvian people themselves. They must have a greater range of social, economic and political options open to them, have free access to information to make informed choices, and have the freedom to choose, in order to have an improved quality of life.

- Facilitating opportunities that are *sustainable*. We will invest in practices that sustain Peru's natural resources. We will also build the human capabilities to promote healthier and more productive lives, and improve the capacity of local organizations and institutions to provide opportunities for Peruvians to fully participate in society and in their own development.

While the Mission recognizes that two of the elements of the Mission goal – “quality of life” and “democratic processes and institutions” – mutually reinforce each other, its strategic logic emphasizes the causal role of “democratic processes and institutions” on all other aspects of development in Peru. Recent events in Peru have demonstrated that fundamentally authoritarian structures and attitudes underlie the veneer of apparently democratic processes and institutions. USAID/Peru feels that activities that promote greater participation and control on the part of individual citizens and local communities should drive development during this strategy period. Empowering and motivating citizens will create pressure on public institutions to be transparent and responsive to people’s needs. Opening the doors to participation will unleash the energy and creativity that is bottled up in individuals and communities throughout Peru.

### **Proposed Strategic Objectives**

USAID/Peru's strategy will continue to work in many of the geographic and program areas in which we have been active during the previous five-year strategy. What unifies and focuses its activities in the new strategy is a common emphasis on creating a more democratic culture. Activities will be designed and evaluated not simply on their sector-specific results, but on the contribution they make to the overarching objective of strengthening democratic processes and institutions. Obviously, different SOs and activities will contribute to accomplishing this Mission Goal in different ways. Some activities will create new economic opportunities to empower individuals; others will support the strengthening of decentralized government services; still others will give Peruvians the tools they need to improve their quality of life.

USAID/Peru will pursue its goal through a set of integrated and closely related strategic and special objectives aimed to:

- strengthen democratic processes and institutions in critical areas;
- increase economic opportunities for the poor in selected economic corridors;
- improve the health for Peruvians at high risk;
- strengthen environmental management to address priority problems;
- sustain reductions of illicit drug crops in target areas of Peru;
- expand opportunities for girls' quality basic education in targeted rural areas; and
- improve the quality of life of Peruvians along the Peru-Ecuador border target areas.

### **Synergies Advancing Democratization**

The following matrix shows how all of USAID/Peru's Strategic and Special Objectives will work to advance our overall goal of promoting the expansion of sustainable opportunities for improved quality of life through democratic institutions and processes:

**Table 3: Synergies Matrix**

	SO1	SO2	SO3	SO4	SpO5	SpO6	SpO7
Respect for Human rights	✓		✓			✓	✓
Citizen Participation	✓	✓	✓	✓	✓	✓	✓
Local governance	✓	✓			✓		✓
Accountability	✓	✓	✓	✓	✓	✓	✓
Decentralization	✓	✓	✓	✓	✓	✓	✓
Rule of Law	✓						
Transparency/Information	✓	✓	✓	✓	✓	✓	✓
Advocacy	✓	✓	✓	✓		✓	
<b>Cross-cutting themes:</b>							
Equity/Inclusion & Gender	✓	✓	✓	✓	✓	✓	✓
Human Capacity Development	✓	✓	✓			✓	✓
Environmental Stewardship		✓		✓	✓		✓

**Expected Results**

Provided that Peru enjoys renewed economic growth and political stability for the strategy period and sufficient resources are made available for USAID/Peru, the USAID strategy will contribute to the achievement of the following results by the year 2006:

- Under SO1, Democratic reforms, such as electoral, judicial, and decentralization reforms, will have been developed in consultation with civil society organizations and will be under implementation. A strengthened civil and political society will be more effectively representing citizens, promoting democratic practices and values and advocating for and monitoring advances on reforms. There will be increased political participation of women and other segments of society. Local governments will be demonstrating increasing good governance and will be inviting a broad number of local institutions to participate in addressing development challenges in the community. There will be greater respect for and protection of human rights, particularly for women and disadvantaged groups.
- Under SO2, the percentage of Peruvians living in extreme poverty in the selected economic corridors will decrease from 18.2% in 2000 to 15% in 2006. The poor in those economic corridors will have better economic opportunities and thus, will have increased their incomes. Greater access to markets will have fostered an increase in sales by \$140 million and 51,000 jobs will have been created. More than 132,000 poor microentrepreneurs and small farmers will have access to microfinance services. The extremely poor will have a better chance to overcome poverty as the GOP increases its targeting and efficiency of social services and will be empowered with access to health, nutrition, education (particularly for girls) and other basic services. There will be a better policy environment for broad-based economic growth, as the GOP will have increased its investments in key economic infrastructure and improved its business regulatory framework.
- Under SO3, Peru will have decreased its infant mortality rates to 34 per thousand live births by 2006. The average number of children born to a woman will be 2.6, closer to the desired number of 2.5. Births attended by trained personnel will increase from 56.4% in 1996 to 63% by 2006. People will be practicing healthier behaviors. Adolescent pregnancies will have been reduced substantially. The prevalence of HIV/AIDS will have been contained and controlled by 30% in target areas. An increased number of births, especially in rural areas, will take place in health facilities, as the health services will be of better quality, more



accessible and better utilized. MOH programs and policies will be more responsive to health care needs. Surveillance systems for infectious diseases will produce timely and accurate reporting.

- Under SO4, the country's environmental management system will have a greater capability to address priority problems. Morbidity due to environmental health conditions will have been reduced in targeted communities. Almost 120 industrial plants will have achieved ISO 14000 certification. Around 7 million hectares of protected areas and forest will be under improved management. There will be an increased environmental awareness among policy decision-makers and the population. Improved environmental policies and regulations, developed with broad stakeholder participation and informed by experiences at the local level will be in place and implemented.
- Under SpO5, Peru's illicit coca production will be reduced in a sustainable manner due to the GOP/USG law enforcement actions, complemented by GOP/USAID efforts to promote alternative development in coca growing areas. Low coca prices and sustained economic opportunities, coupled with strengthened local governments and civil society institutions, that provide social and product services to the population, and increased drug awareness will promote the commitment of coca farmers to permanently abandon coca production.
- Under SpO 6, opportunities for quality basic education for girls in targeted rural areas will be expanded. Girls completing 4<sup>th</sup> grade in selected rural areas will increase from 40% to 62%. There will be a policy framework supportive of girls' quality basic education. Girls will have access to and permanence in quality basic education services as more bilingual-trained teachers will be available in remote rural areas, and schools will be promoting equity in the classroom. Also, local networks will be established and local governments will be promoting basic education for girls.
- Under SpO7, the Peru-Ecuador peace initiative will be consolidated, as people living in target border areas will have seen their quality of life improved. Their support for the Peace Accords will increase, thereby reducing the risk of renewed conflict. The population living in the border areas, particularly women and indigenous populations, will enjoy enhanced respect for their rights. Border populations will be healthier and better educated, and will have access to a broader range of social services, and better skills to improve their economic prospects. Communities and institutions, especially local governments, will be promoting the full participation of all citizens and managing their own development processes.

## **F. Customer Focus**

USAID/Peru has two sets of customers. Our ultimate customers are those Peruvians whose lives will improve through participation in USAID-supported programs. Our intermediate customers and partners are the organizations with which we work to carry out our program.

### **Ultimate Customers**

For *strengthening democratic processes and institutions*, USAID's ultimate customers are the citizens of Peru, particularly the individuals and community groups that have been the most vulnerable and marginalized, including indigenous groups, women, children, and rural communities in coca-producing regions.

For *increasing economic opportunities*, our ultimate customers are the poor, food-insecure people – especially women and children – in the rural highlands, who have limited access to income-generating opportunities, and families that live in poor, marginal urban areas with children under three that are severely malnourished.

For *improving health*, our ultimate customers are the high-risk populations in the rural and peri-urban areas of Peru. Key among these high-risk populations are infants under age one, children under five and women of reproductive age. Other important groups are people at risk of contracting HIV/AIDS and young Peruvians.

For *strengthening environmental management*, our ultimate customers are the people living in: protected areas and buffer zones; contaminated areas; peri-urban areas with no solid waste or wastewater collection systems; large cities affected by air pollution; coastal towns; and native communities. Farmers affected by indiscriminate use of pesticides and working on fragile and degraded soil are also our customers.

For *reducing illicit drug crops*, our ultimate customers are the inhabitants of towns affected by narco-trafficking and communities that supply migrant labor to coca areas. These can be coca grower and non-coca grower farmers and their families, workers providing migrant labor for coca cultivation and their families, consumers of illegal drugs, and children and youth at high risk of illegal drug consumption.

For *expanding opportunities for girls*, our ultimate customers are the most vulnerable children of the rural areas, girls. Support to the girls in these regions will also have a positive effect on boys, and overall basic education will be improved.

For *improving the quality of life along the Peru-Ecuador Border*, our ultimate customers are the people of the border regions -- especially women, children, and indigenous people -- who have long been excluded from access to basic services and infrastructure, as well as decision-making opportunities.

## **Intermediate Customers and Partners**

Under the seven strategic objectives, USAID/Peru has numerous intermediate customers and partners. They include entities of the government that implement programs assisted by USAID. Other key intermediate customers and partners are non-governmental organizations and institutions that foment participation and democratic reforms; support microenterprise and implement food-assistance programs; provide health and family planning services; work with women and other marginalized groups to design and carry out development activities; strengthen indigenous organizations; educate the Peruvian public, both formally and through other channels; catalyze the concerted action of Peruvian professionals in their various disciplines; business and industrial organizations that are key to providing stewardship of the environment; U.S.-based development organizations that support and implement development activities in Peru; and international development organizations.

USAID/Peru will continue to build on partnerships with other donors, public and private organizations, and the people of Peru. The FY 2002-FY 2006 strategy will take advantage of USAID/Peru's unique partnerships with NGOs to promote democratic practices. The Mission will work with a broad range of institutions such as the central government, local governments, non-governmental organizations, grassroots organizations and the press. USAID/Peru will design and implement activities to increase synergies, build strategic partnerships, promote consensus among actors, encourage advocacy to influence policies, and increase the

participation and empowerment of the disadvantaged, with particular emphasis on women, ethnic minorities, and other marginalized groups.

## **G. Other Donor Programs**

Planned international cooperation programs for the next five years total \$5.5 billion, 76% of which are loans. In terms of grant assistance, USAID continues to be the largest donor, comprising 49% of the planned assistance levels for the 2000-2005 period, followed by the European Union with 14%, Japan with 6% and Switzerland with 4%. Other major bilateral donors include Canada, Germany, the Netherlands, Spain, the United Kingdom and Italy.

Total donor planned disbursements, including both loans and grants, for the period 2000-2005 are estimated at \$1 billion per year, including loans. According to donor assistance projections for the next five years, the major sources of international funding will be the InterAmerican Development Bank (IDB), with 45%, Japan with 19%, followed by USAID with 12%, the International Bank for Reconstruction and Development (IBRD or World Bank-WB) with 10%, and the Andean Development Corporation (CAF) with 6%. However, the recent economic and political downturns may change final agreements.

Multilateral banks play an important role in Peru. The current IDB program totals \$2.4 billion, 99% in loans, with a balance of \$1.2 billion to be disbursed during the next five years. The WB program has a funding level of \$538 million, of which \$514 million is in loans, and the CAF has active loans for \$350 million. The majority of the multilateral bank assistance is focused in the areas of transportation; energy; water, sanitation and agricultural infrastructure; health and education improvement; credit; and public sector modernization activities. The CAF is also supporting the privatization process in the transportation and energy sectors, as well as the implementation of the Peru-Ecuador Binational Plan. The IDB and the WB have recently authorized a joint loan of \$154 million dollars for a major health reform program. Other IDB projects include the modernization of the judicial sector. The WB and IDB are also increasingly involved in indigenous community organization strengthening and in the environment.

Japanese assistance to Peru totals \$1 billion, 93% of which are loans. Activities funded under the Japanese loans include support for economic structural adjustment, El Niño reconstruction, poverty alleviation and natural resources projects in the *sierra*, social investment projects in the *sierra* and *selva*, water systems on the coast, and rural electrification on the Peru-Ecuador border. Grants are directed to poverty alleviation, basic health and infrastructure, education, drug awareness, environment conservation, and water and sanitation in the border areas.

The European Union assistance of \$188 million is focused on food security, health, education, microenterprise, environment and alternative development activities. Canada is heavily involved in environmental management, but also supports the areas of water and sanitation, health and democracy. Most Swiss Government assistance has focused on poverty reduction activities. The Swiss also support environment and democracy. German cooperation is centered on economic growth, public sector modernization, health, education, environment and alternative development. Spain provides assistance in bilingual education and public sector modernization. The Netherlands and Spain are also active in environmental activities. The UK cooperation is limited to democracy, health and alternative development. Italy is supporting the Peru-Ecuador Binational Plan in the areas of health and agriculture.

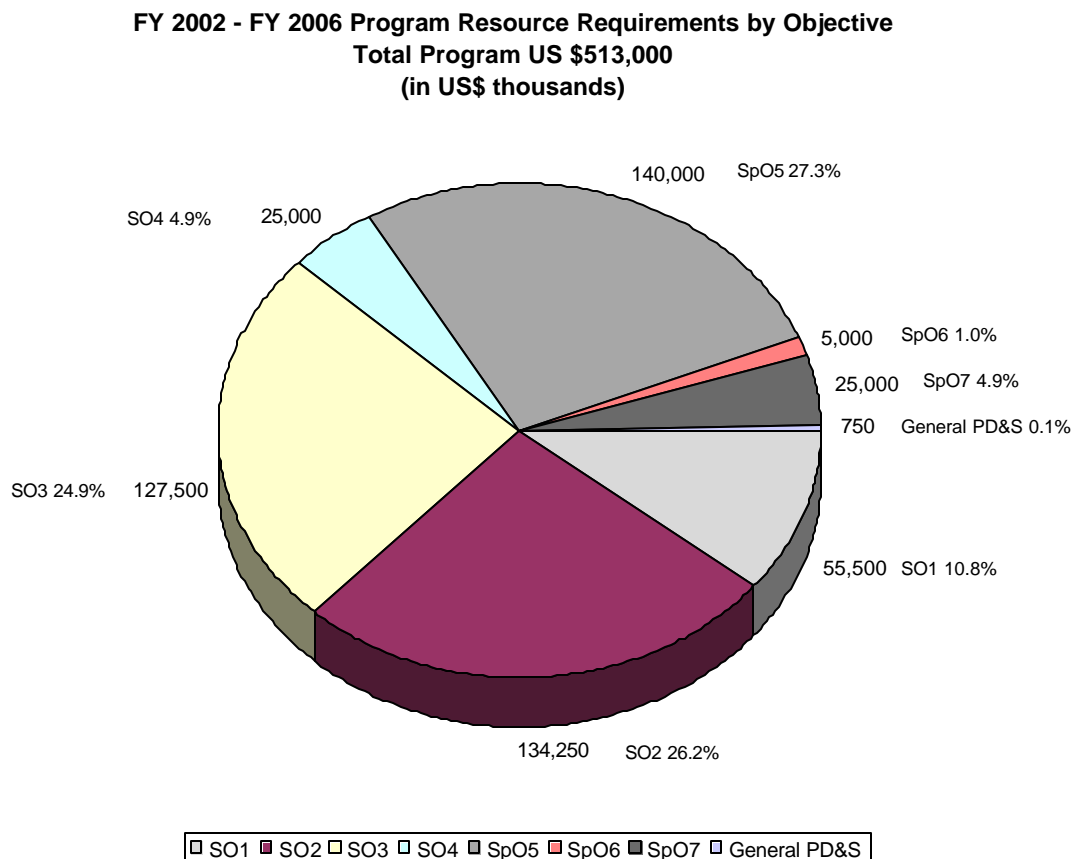
Total United Nations (UN) assistance to Peru for the next five years is \$96 million dollars. Almost half of it is from the UN Drug Control Program (UNDCP) for alternative development activities and coca leaf monitoring. The World Food Program accounts for 24% of the UN

assistance, 15% from the Food Agricultural Organization (FAO), nearly 8% from the Pan American Health Organization (PAHO) (\$8 million dollars), and 5% from UNICEF. The UNICEF program includes health and nutrition, basic education, and child and adolescent protection.

USAID/Peru is actively involved in donor coordination efforts. Mission leadership meets regularly with the WB, IDB and UNDP to discuss overall strategies. USAID also participates in different donor working groups, in themes such as good governance, food security, poverty, micro-credit, health, Peru-Ecuador border, biodiversity, alternative development and gender. USAID has greater influence in some areas, for example alternative development; micro-finance; and seeking a common agenda for democracy issues, through the Good Governance Group and the ongoing Poverty Forum group, whose theme for 2001 is decentralization. The Mission will continue to leverage other donor resources and serve as a catalyst of development initiatives in areas that are often too politically sensitive for other donors to provide resources.

## H. Summary Resource Requirements

To achieve the above results, the USAID/Peru strategy during FY 2002-2006 will require \$513.0 million of DA, CS, ESF and P.L.480 Title II Food Aid resources, as summarized below and further justified in Part III.



The funding strategy maintains DA resources at a modest average of \$15.1 million per fiscal year for democracy, poverty reduction, and environment activities, while increasing the allocation for POP and CS. Likewise, the Mission is requesting an increase in the amount of ESF funds to \$13 million per year (\$8 million for democracy and \$5 for Peru-Ecuador Border development) to assist Peru in its democratization process, based on the overriding importance of democracy and good governance for Peru. Funds will be used to support the implementation of democratic reforms in critical areas (e.g., justice, decentralization, human rights), taking advantage of the positive political scenario that is foreseen with the future government.

Further, to continue the success of the Alternative Development program, but also to offset the negative socio-economic effects of eradication activities on at-risk populations - women and children who reside in coca producing areas - USAID is proposing that ESF (INL) be increased to \$30 million per fiscal year (for FY 2002-2004) and a total of \$140 million over five years.

Given the current economic situation that has increased poverty levels, and undermined the nutritional status of one of every four children in Peru, the Mission is discussing with BHR the addition of \$10 million of P.L. 480 food commodities to slow the reduction rate of Title II resources.

**Table 4**  
**Summary of USAID/Peru Resource Requirements**  
**FY 2002 - FY 2006**  
**(US\$000)**

<b>Funding Source</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>TOTAL</b>
<b>DA</b>	15,100	15,100	15,100	15,100	15,100	75,500
<b>CS</b>	10,500	10,500	10,500	10,500	10,500	52,500
<b>POP</b>	16,000	16,000	16,000	16,000	16,000	80,000
<b>ESF</b>	13,000	13,000	13,000	13,000	13,000	65,000
<b>INL</b>	30,000	30,000	30,000	25,000	25,000	140,000
<b>P.L. 480</b>	25,000	25,000	20,000	20,000	10,000	100,000
<b>TOTAL</b>	<b>109,600</b>	<b>109,600</b>	<b>104,600</b>	<b>99,600</b>	<b>89,600</b>	<b>513,000</b>

The Mission bilateral OE and staffing requirements for the strategy are summarized in section III.C. Since USAID/Peru is a Regional Service Mission, this strategy also identifies the expected OE and staffing requirements to meet this mandate.

**Table 5: Common Objectives**

**Development Assistance Committee (DAC), Summit of the Americas, United States Government (USG), USAID, USAID/PERU, and Government of Peru (GOP)**

DAC GOALS	SUMMIT OF THE AMERICAS	USG NATIONAL INTERESTS/ U.S. MISSION GOALS	USAID GOALS	USAID/PERU STRATEGIC OBJECTIVES AND TARGETS	GOP TARGETS
<ul style="list-style-type: none"> <li>- Capacity development for effective, democratic and accountable governance</li> <li>- Respect for the rule of law</li> <li>- Protection of human rights</li> </ul>	<b>PRESERVING AND STRENGTHENING DEMOCRACY, JUSTICE AND HUMAN RIGHTS</b> <ul style="list-style-type: none"> <li>- Strengthening Democracy</li> <li>- Invigorating society and community participation</li> <li>- Combating corruption</li> <li>- Eliminating all forms of discrimination against women</li> <li>- Promoting and protecting human rights</li> <li>- Strengthening municipal and local regional administrations</li> </ul>	<b>DEMOCRACY/ DEMOCRACY AND HUMAN RIGHTS</b> <ol style="list-style-type: none"> <li>1. Foster broad recognition in Peru of the need for strong, autonomous democratic institutions, increase respect for individual human rights, and promote core labor standards.</li> </ol>	<b>DEMOCRACY AND GOOD GOVERNANCE STRENGTHENED</b>	<b>SO#1: Democratic Processes and Institutions Strengthened in Critical Areas</b> <ul style="list-style-type: none"> <li>- Judiciary is independent from the Executive</li> <li>- Congress is independent and representative</li> <li>- The Constitutional Tribunal is fully operational with independent judges.</li> <li>- Peru has returned to the Inter-American Court of Justice</li> <li>- The new Ombudsman is highly respected and independent</li> <li>- Human rights are strongly protected.</li> <li>- The military under full civilian control</li> </ul>	<ul style="list-style-type: none"> <li>- Eliminate corruption and improve transparency</li> <li>- Increase access of the poor to the justice system</li> <li>- Improve the justice system</li> <li>- Improve protection of human rights through the Ombudsman's Office (Defensor del Pueblo)</li> </ul>
	<b>PRESERVING AND STRENGTHENING DEMOCRACY, JUSTICE AND HUMAN RIGHTS.</b> <ul style="list-style-type: none"> <li>- Combating the problem of illegal drugs and related crimes</li> </ul>	<b>LAW ENFORCEMENT/ ILLEGAL DRUGS</b> <ol style="list-style-type: none"> <li>2. Eliminate the cultivation of illicit drug crops and the export of illicit drug products from Peru by 2008.</li> </ol>	<b>BROAD-BASED ECONOMIC GROWTH AND AGRICULTURAL DEVELOPMENT ENCOURAGED</b>	<b>SpO#5: Sustained Reduction of Illicit Drug Crops in Target Areas of Peru</b> <ul style="list-style-type: none"> <li>- Eliminate illicit coca production in target areas in Peru by 2008</li> </ul>	<ul style="list-style-type: none"> <li>- Eliminate coca production for illicit purposes by year 2005</li> </ul>
<ul style="list-style-type: none"> <li>- Reduce the proportion of population in extreme poverty to less than 15% in 2015 (less than 10% for LAC countries)</li> </ul>	<b>ERADICATING POVERTY AND DISCRIMINATION</b> <ul style="list-style-type: none"> <li>- Encouraging micro-enterprises and small businesses</li> <li>- Ensure micro, small and medium size enterprises have access to credit</li> <li>- Reduce hunger and malnutrition</li> </ul>	<b>ECONOMIC PROSPERITY/ ECONOMIC DEVELOPMENT</b> <ol style="list-style-type: none"> <li>3. Encourage broad-based economic growth and development in Peru.</li> </ol>	<b>BROAD-BASED ECONOMIC GROWTH AND AGRICULTURAL DEVELOPMENT ENCOURAGED</b>	<b>SO#2: Increased Economic Opportunities for the Poor in Selected Economic Corridors</b> <ul style="list-style-type: none"> <li>- A reduction by one-half in the proportion of people living in extreme poverty in economic corridors</li> <li>- 132,000 microentrepreneurs and small farmers with access to financial services by 2006</li> </ul>	<ul style="list-style-type: none"> <li>- A reduction by one-half in the proportion of people living in extreme poverty, from 15% in 2000 to 8% by year 2005</li> </ul>
<ul style="list-style-type: none"> <li>- Universal primary education in all countries by 2015 (by 2010 for the Americas)</li> </ul>	<b>EDUCATION: THE KEY TO PROGRESS</b> <ul style="list-style-type: none"> <li>- Universal access to and completion of quality primary education</li> </ul>		<b>HUMAN CAPACITY BUILT THROUGH EDUCATION AND TRAINING</b>	<b>SpO#6: Expanded Opportunities for Girls' Quality Basic Education in Targeted Rural Areas</b> <ul style="list-style-type: none"> <li>- Increase girls' permanence and performance rates in primary school in target areas</li> <li>- Increase girls' pre-primary school enrollment to 75% in target areas</li> <li>- Girls' primary school completion rate increased to 61% in target areas.</li> </ul>	<ul style="list-style-type: none"> <li>- Improve quality of primary education by year 2007</li> <li>- Universal primary education from 4 years by 2007</li> <li>- Net enrollment of 98% for 6-11 by 2005</li> </ul>

DAC GOALS	SUMMIT OF THE AMERICAS	USG NATIONAL INTERESTS/ U.S. MISSION GOALS	USAID GOALS	USAID/PERU STRATEGIC OBJECTIVES AND TARGETS	GOP TARGETS
- Demonstrated progress toward gender equality and the empowerment of women by eliminating gender disparity in primary and secondary education by 2005					- Reduce female illiteracy rate from 18.3% in 1995 to 4% by 2005 - Reduce rural women illiteracy rate from 42.9 in 1995 to 30 in 2000
- A reduction of infant mortality rate to less than 22% by 2015 (15% for LAC countries)  - Under-five mortality rate to less than 31% by 2015 (19% for LAC countries)  - Maternal mortality ratio below 124 by 2015 (41 for LAC countries)	ERADICATING POVERTY AND DISCRIMINATION - Equitable access to basic health services	GLOBAL ISSUES/ HEALTH 4. Protect and improve human health and reduce the spread of infectious diseases into, within, and beyond the borders of Peru.	WORLD POPULATION STABILIZED AND HUMAN HEALTH PROTECTED	<b>SO#3: Improved Health for Peruvians At High-Risk</b> - Reduction of incidence of infectious diseases including malaria, yellow fever, tuberculosis, cholera and HIV/STD - Reduction in infant mortality from 39 deaths per 1,000 live births in 2000 to 34 by year 2006 - Births attended by trained personnel increased to 63% by 2006 - Reduction to 200 deaths per 100,000 live births by year 2000	- No less than 50% reduction in malaria incidence by 2000 - Reduce infant mortality rates to 34 by 2000 - Reduction by 50% infant and under-five mortality in the 136 provinces with the highest rates of mortality - Prevalence in chronic malnutrition reduced from 48% in 1993 to 34 in 2000 - Reduce maternal mortality rate to 100 by year 2005
- Implementation of national strategies for sustainable development in all countries by 2005, to ensure that current trends towards the loss of environmental resources are effectively reversed at both global and national levels by 2015	GUARANTEEING SUSTAINABLE DEVELOPMENT AND CONSERVING OUR NATURAL ENVIRONMENT FOR FUTURE GENERATIONS - Partnership for sustainable energy use - Partnership for biodiversity - Partnership for pollution prevention - Environmental health	GLOBAL ISSUES/ ENVIRONMENT 5. Promote sound environmental policies and sustainable use of natural resources.	THE WORLD'S ENVIRONMENT PROTECTED FOR LONG TERM SUSTAINABILITY	<b>SO#4: Strengthened Environmental Management to Address Priority Problems</b> - Hectares of protected parks and forests under improved management increased to \$7 million - GOP will have established and be implementing the new national environmental plan developed with the full participation and support of the public and private sectors by year 2004 - Protect health from human urban and industrial pollution effects	CONAM's agenda includes: - Establishment of a national environmental management system, including an environmental fund and a national environmental information system - Legislation on the use of natural resources and adoption of participatory management for protected areas - Promotion of clean technologies and pollution prevention practices - Establishment of environmental arbitration procedures - Environment subjects in school and university curricula

DAC GOALS	SUMMIT OF THE AMERICAS	USG NATIONAL INTERESTS/ U.S. MISSION GOALS	USAID GOALS	USAID/PERU STRATEGIC OBJECTIVES AND TARGETS	GOP TARGETS
- Access through the primary health-care system to reproductive health services for all individuals of appropriate ages as soon as possible and no later than year 2015	ERADICATING POVERTY AND DISCRIMINATION - Equitable access to basic health services	GLOBAL ISSUES/ POPULATION 6. Help people exercise their reproductive rights and space their children in ways that assist informed decision making and promote the health of families.	WORLD POPULATION STABILIZED AND HUMAN HEALTH PROTECTED	<b>SO#3: Improved Health for Peruvians at High Risk</b>	- Access of the extremely poor to health systems will increase from 34% in 1994 to 45% by year 2000 - Reach a coverage of modern contraceptives to at least 50% of women in reproductive age, and at least 70% of women in union by year 2000
	ECONOMIC INTEGRATION AND FREE TRADE	ECONOMIC PROSPERITY/ OPEN MARKETS 7. Open Peruvian markets to U.S. goods, services and investment and encourage further economic liberalization.			
		ECONOMIC PROSPERITY/ EXPAND U.S. EXPORTS 8. Increase U.S. exports to Peru, especially from small/medium-sized enterprises, new to export and/or new to market companies.		SO#4: Improved Environmental Management of Targeted Sectors (secondary link) - Innovative technologies tested through pilot projects	
	PRESERVING AND STRENGTHENING DEMOCRACY, JUSTICE AND HUMAN RIGHTS - Building confidence and security among States	REGIONAL STABILITY/ DIPLOMATIC ACTIVITIES 11. Promoting regional security, supporting GOP counter-terrorism efforts, concluding an extradition treaty and boosting GOP support for US position on bilateral and multilateral issues.		<b>SpO#7: Improved Quality of Life of Peruvians along Peru-Ecuador Border Target Areas</b> - Reduction by 20% in chronic malnutrition rates - Percentage of girls completing primary school increased from 40% to 60% - Proportion of households with satisfied basic needs increased by 25%	- Improve living conditions of people living in border areas

Note: SOs primarily linked to U.S. Mission Goals shown in bold.



**PART II:  
PROPOSED STRATEGIC PLAN**

## **Strategic Objective # 1: Democratic Processes and Institutions Strengthened in Critical Areas**

At the outset of the previous strategy period (1996-2001), the Mission had assumed the political will of the Government of Peru (GOP) to implement democratic reforms would grow. This assumption was based on the recent establishment of promising new democratic institutions, such as the Human Rights Ombudsman, the Constitutional Tribunal and the National Judiciary Council, among others, that were ushered in by the 1993 constitution. Unfortunately, just the reverse occurred -- the political will of the government declined over time, particularly as President Fujimori and his political allies geared up for his election to a controversial third term.

In the wake of the controversial 2000 elections, the OAS issued a list of 27 specific recommendations on democratic reforms that needed to be made in Peru. These recommendations encompassed five major areas:

- reform of the administration of justice, strengthening the rule of law and ensuring the separation of powers (including the protection of human rights and security);
- freedom of expression and the media;
- electoral reform;
- supervision (oversight) and balance of powers; and
- other aspects of democratic strengthening related to oversight and functioning of the National Intelligence Services (SIN) and the armed forces.

Under an intense international spotlight, all sides of the political spectrum accepted this list as the de facto "democratization plan" for the country, even though it omitted the opposition's principal concern about the legitimacy of the flawed 2000 elections. The OAS established a Permanent Commission in Peru in mid-August, naming Eduardo La Torre as the Permanent OAS Secretary to Peru and facilitator of the OAS-led Dialogue. Soon after his arrival, La Torre convened a representative group of political and civil society actors to form the OAS-led Dialogue, and began discussing the recommended reforms. Working groups were established to address selected high priority reforms and dates were set for their resolution. While the work of the OAS-led Dialogue is scheduled to end soon, the implementation of reforms will continue at least through 2002.

On September 16, 2000, in response to the public disclosure of a video-

### **Civil Society Promotes Democracy in Peru**

USAID support to civil society groups working to promote democracy in Peru has resulted in concrete achievements over the past several years. Many of these achievements have been in the area of human rights. For example, through our support to the Ombudsman and the legal defense NGOs, IDL and ORES, USAID contributed to the release of more than 2,500 innocent persons unjustly accused of or sentenced on charges of terrorism or treason, through the provision of legal defense and the efforts of the Ad-hoc Pardon Commission. This Commission was a special mechanism created by law as a result of joint efforts between human rights NGOs and the Ombudsman. In addition, USAID partners in this area successfully promoted the adoption of important legislation for protecting the human rights of Peruvians, such as the 1998 amendment to the criminal code that classified torture for the first time as a crime and improvements in domestic violence legislation. Most recently, however, USAID's cumulative investment in civil society groups that promote democracy and human rights has produced groundbreaking impact in terms of democracy promotion in Peru. The combined effect of the work of USAID-supported human rights, election observation, voter education and women and youth political participation groups, among others, has been to fix a glaring spotlight on corrupt and undemocratic practices in Peru, particularly during the 2000 electoral process. The resulting revelations had resounding impact both nationally and internationally, made it impossible for a government with questioned legitimacy to continue with "business as usual," and ultimately forced President Fujimori to resign. In no small measure related to the technical and public awareness work of these groups, among other contributing factors, the OAS produced a list of 27 recommended democratic reforms for the GOP to comply with if it hoped to avoid further international censure. While the outcome of this process cannot yet be fully known, USAID is optimistic that, with new elections in 2001, the country is heading toward a more democratic future. If the government emerging from the elections is fully committed to continuing the democratic reforms, USAID believes its civil society investments will have helped lay a solid foundation for deepening this critical reform process.

tape showing his then advisor and de facto head of the National Intelligence Service (SIN), Vladimiro Montesinos, buying the allegiance of a congressman-elect, President Fujimori surprised the nation and the world by calling for new presidential and congressional elections in which he would not be a candidate. After his announcement, momentum picked up on the OAS-led Dialogue as the political actors pulled together for the first time in the interest of the nation amidst rumors of a possible military coup. Despite the earlier protests by the OAS that its mandate did not extend to the discussion of a timetable for new elections, President Fujimori's announcement put new elections front and center on the agenda. Further precipitating changes, due to the increasing damage of his image and the loss of his majority in Congress, President Fujimori resigned the Presidency. The new President of Congress, Valentin Paniagua, was sworn in as President of Peru for an eight-month period and has committed to conducting free and fair elections during this time.

Political agreements on outlines for the upcoming electoral process, including elimination of presidential re-election, were reached at the OAS-led Dialogue and ratified by the Peruvian Congress. The date of the new elections has been set for April 8, 2001 and the newly elected government will be inaugurated in late July. The country is clearly moving in a positive direction toward a new government in 2001, and implementation of important democratic reforms. With great effort by the Peruvians, and significant support from the international community, the Mission expects the new elections to be credible, and to be determined free and fair by impartial observers. The President and Congress elected as a result should enjoy full legitimacy. This will set the stage for a very promising start to the Mission's FY 2002-FY 2006 democracy strategy.

USAID/Peru's Strategic Objective #1 (SO1), Democratic Processes and Institutions Strengthened in Critical Areas, will address one of the key constraints to democratic development in Peru -- the absence of regular channels for citizen input into the formulation of public policies, such as those needed to strengthen and sustain democratic institutions and processes in Peru. As the channels for citizen participation in the democratic reform process grow, and as the dialogue on reforms initiated by the OAS reaches further consensus, the strategy will begin to address an even more profound constraint in Peru -- weak democratic institutions.

The Mission will build on the numerous achievements it has made through its democracy program over the previous strategy period, as fully documented in the respective R4s and activity evaluations. The achievements were principally in the areas of human rights (e.g., strengthening of the Human Rights Ombudsman and release of innocent persons in prison on charges of terrorism and treason) and increased citizen awareness of rights and responsibilities. These achievements, however, while broadening citizen participation in democratic processes, did not fully translate into ensuring a more democratic Peruvian state. This new strategy, as a result, is more specifically geared to taking advantage of the current democratic opening in Peru and transforming civil and political society advocacy efforts for democratic reforms into concrete institutional reforms in selected public sector institutions.

With the selection of its cross-cutting goal -- **to promote the expansion of sustainable opportunities for improved quality of life through strengthening democratic processes and institutions**, USAID/Peru has recognized that building a democratic society is critical to the success and sustainability of its entire development agenda. SO1's objective to strengthen democratic processes and institutions will help create the stable political and democratic environment needed for any development effort to succeed. SO1 will collaborate with all of USAID/Peru's SOs to promote increased citizen participation in decision-making; respect for human rights; good governance, transparency and accountability; and improved advocacy skills,

and will assist our development partner institutions, especially the GOP, to become more democratic and responsive to the peoples' needs.

#### A Linkages to USG, Summit of the Americas, Agency and Host Country Goals

USG National Interests / Strategic Goals	DEMOCRACY/DEMOCRACY AND HUMAN RIGHTS
Summit of the Americas	PRESERVING AND STRENGTHENING DEMOCRACY, JUSTICE AND HUMAN RIGHTS
Peru Mission Performance Plan (MPP)	Foster broad recognition in Peru of the need for strong, autonomous democratic institutions, increase respect for individual human rights, and promote core labor standards.
Agency Framework – Primary Link	DEMOCRACY AND GOOD GOVERNANCE STRENGTHENED 2.1 Rule of law and respect for human rights for women as well as men 2.2 Credible and competitive political processes 2.3 Politically active civil society 2.4 More transparent and accountable government institutions
Government of Peru	Democratization plan being forged through the OAS-recommended reforms

#### B. Development Challenge

In light of the historic challenges and recent turn of events outlined above, USAID's development challenge during the strategy period (FY 2002-FY 2006) will be to assist civil and political society and the GOP to implement the democratic reforms proposed by the OAS and subsequent fora for national decision-making (ideally a strengthened and more representative congress). This challenge is based on observing the concrete and dramatic process of political negotiations unfolding in Peru, as well as the detailed analyses of the democracy problem laid out in both the Democracy and Governance (DG) Assessment and the survey/analysis "Democratic Participation in Peru." The DG Assessment, which was completed in mid-2000 and provided the analytical underpinnings for development of this strategy, describes the democracy problem(s) in Peru as follows:

....the main problems for democracy in the next five years (are) primarily in the realm of ***competition and balance of power***, broadly understood. Without competition for power based on popular sovereignty, there is no real democracy, even if there is rule of law and efficient government. Obviously, a fully competitive democracy involves a free and fair electoral process and a working party system, both of which are in serious trouble in Peru today. But elections are not the only form of competition in a liberal democracy, and public office is not the only prize. Democracy is also about the free competition of ideas and public policies, which requires a broadly permissive political arena (allowing for a range of debate and disagreement between government and citizens and a structural balance between various centers of power), a strong and plural civil society, and a free and independent media. Furthermore, democracy requires institutionalized competition *within the government itself*, through a balance of power between its branches and levels that serve as a check on potential abuses of power.

In this case, the Team concludes that democracy and good governance in Peru are seriously hindered by the lack of effective checks and balances on the exercise of Executive power. This includes both a lack of real balance of power within the government (among the various branches and levels), and limited mechanisms of government accountability to society.

During Fujimori's past two terms in office, the DG Assessment goes on to state, the lack of effective limits on Executive power increasingly led to political intervention in and manipulation of the judiciary and legislature, disregard for the rule of law, violation of basic citizen rights and liberties, and limited government transparency or accountability. The desire of the Fujimori government to contest for a third term in power also weakened its original promise of efficient governance, while placing increased restrictions on the media and other political competitors, and undermining the quality and legitimacy of the electoral process itself. The impoverished conditions in which a majority of the Peruvian population lives, have also compounded this problem. Poor Peruvians, with low educational attainment and health status and limited knowledge of their rights and responsibilities, are vulnerable to manipulation by those who would claim to satisfy their unmet needs rather than encourage them to improve their capacity to control their own destinies.

The "Democratic Participation in Peru" survey/analysis conducted for USAID/Peru in 2000, lays out the democracy challenge in terms of a struggle by Peruvians to find avenues to express their views:

One of the principal problems observed during this past year is that the population still has not found channels for participation in the public arena that allow it to play an influential role in the national scene. Recent events connected with the elections showed a sector of society that wants to be heard, spontaneously taking to the streets to cast a "ballot of protest" against what was considered to be electoral fraud. Organizations made their presence felt, but failed to gather together the larger mass of the population. How can civil society propose alternatives unless there is a group to serve as intermediary? What can be done when political parties no longer provide this channel for communication and dialogue between society and the states?

The sense by citizens of not being heard during this last electoral process, while the culmination of a long historical process and the result of a myriad of socio-cultural factors, finally precipitated a crisis when it became clear that the third-term Fujimori government lacked full legitimacy. The OAS-led Dialogue was established as an artificial but necessary and temporary channel for communication and negotiation among Peruvians. While the OAS-led Dialogue has been a catalyst for important democratic reforms, the country will need to forge its own, more permanent channels after the OAS departs. Foremost among these channels must be strengthened and more representative political parties and a stronger and more representative congress. These will be the formal conduits for citizens' views and opinions and the realms in which freer competition of ideas and public policies can take place.

The transition to a more solid democracy, which will largely be driven by the agenda set by the OAS and the recommendations made at the OAS-led Dialogue, will be the focus of our new strategy. The Mission will specifically concentrate on the following issues raised by the OAS and others: independence of the judiciary and broad justice sector reform; greater protection of human rights; freedom of expression and greater access to the media; and continued reform of the electoral system. It will also promote decentralization (not one of the 27 OAS reforms but nevertheless critical to the democratization of Peru) and, when conditions become appropriate, strengthen the representative capacity of congress. The one OAS recommendation the Mission will not directly promote, is developing greater oversight of the intelligence services. It will, however, support civil society efforts to promote improved civil-military relations.

In its efforts to strengthen democratic processes and institutions in Peru, the Mission will give continued attention to gender issues and ensure the participation of women in all its democracy activities. The participation of women is both key to advancing democracy in Peru and

improving the socio-economic status of Peruvian women and children. Women's participation at all levels promotes greater inclusion of the more than half of the Peruvian population that has traditionally been excluded from the political scene. It also helps enrich the political agenda with women's and social issues - issues that politicians have not normally considered high priority. In Peru, women in politics have also demonstrated in concrete situations their capacity to come together to advance their agendas, over and above their partisan differences. This style of collaborative politics will contribute to improving the democratic process in Peru.

## **C. Results Framework**

### **Strategic Objective Rationale**

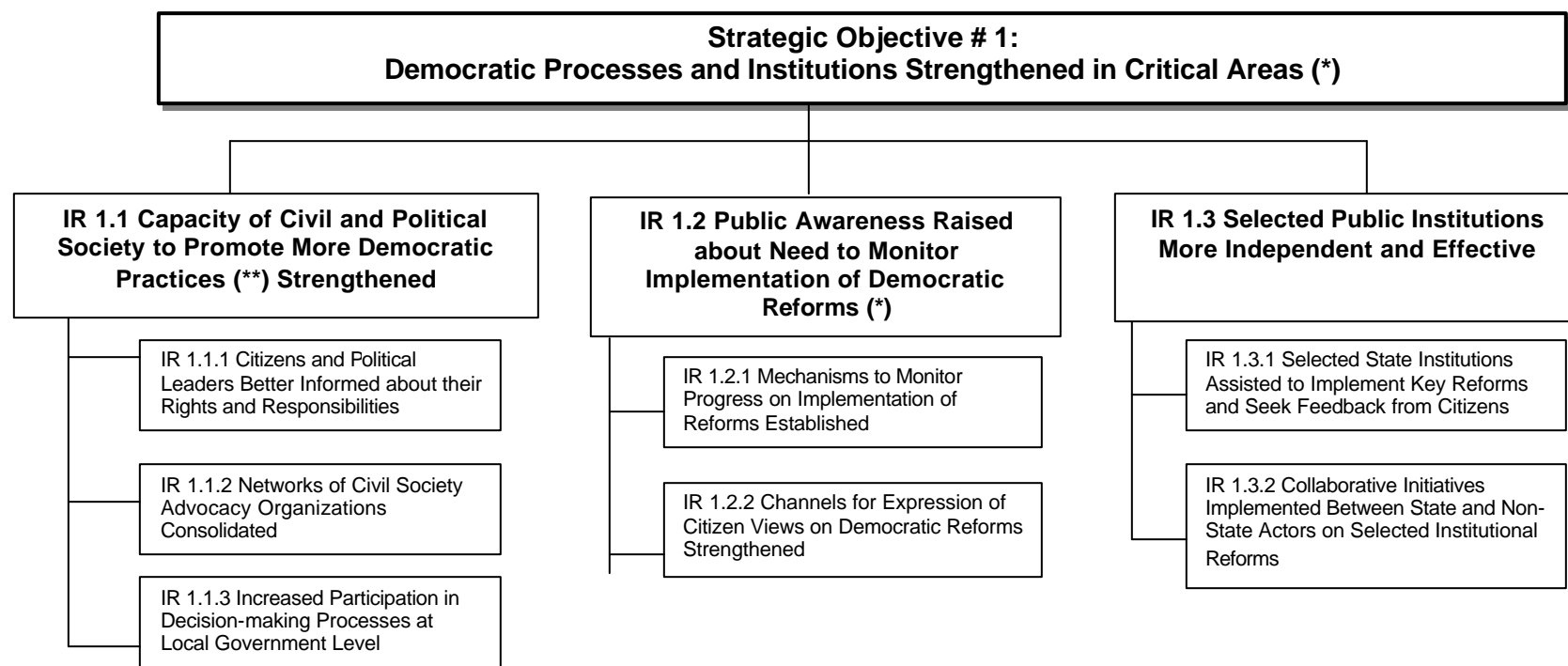
The SO, *Democratic Processes and Institutions Strengthened in Critical Areas*, was developed through a variety of studies and consultative processes. Significant information was gathered through the normal course of project implementation, meetings and field visits with partners, customers and various implementing agencies. More formal means were also employed, including nationwide surveys, an evaluation of USAID/Peru's democracy education and awareness activities, the formal DG Assessment, the visit of a strategic planning consulting team from USAID/Washington, and retreats with partners and strategic thinkers on various subjects related to the team's work. The team's partners also provided excellent feedback on the DG Assessment's recommendations, and on an initial version of the SO framework. The SO statement and the discussion that follows reflect what the authors of the DG Assessment, our partners and customers, and Peruvians in general (as gleaned through the nationwide surveys) view as the obstacles to overcome and strategies to adopt for strengthening democracy in Peru. The development of the SO has been further informed by the OAS-led Dialogue and its progress in coming up with concrete proposals for institutional strengthening.

The timeframe for achievement of the SO is five years. By the end of this period, if our Critical Assumptions are met, the democracy program will have contributed significantly to strengthening democratic processes and institutions in Peru. The specific progress anticipated by 2006 is outlined at the end of this Section, and in the Performance Measurement Section.

The Results Framework, built around the SO of *Democratic Processes and Institutions Strengthened in Critical Areas*, seeks to address several major deficiencies in Peruvian democracy, as outlined in the DG Assessment and other sources, and confirmed to us by partners and customers. These major deficiencies include: the absence of informed participation in decision-making processes, the absence of demand-making for reform, the weakness of mechanisms for channeling those demands, and the absence of institutionalized good governance. It recognizes that effective and sustained reform comes primarily from outside the formal system, based on demand from the citizenry, but also inside the formal system by the governmental institutions themselves or through partnership with citizens to strengthen state institutions that provide access to justice, protection of human rights, and other such services which respond to citizens' needs.

The focus of the SO, therefore, in addition to being on the OAS-recommended reforms, is on building more and improved channels for citizen input into the formulation of democratic reforms and other decision-making processes, and forging opportunities for dialogue, partnerships, and direct action with selected government institutions. The ultimate goal is to carry out key reforms to build a strong, institutional foundation for democracy. The Mission will particularly concentrate on promoting the participation in decision-making processes of sectors of society traditionally marginalized from political processes in Peru -- the rural poor, women, indigenous persons and other ethnic minorities, youth and the disabled.

**Figure 2: SO1 Results Framework**



**(\*) Key Reform Areas**, proposed by the OAS and other sources, including the USAID-financed Democracy Assessment:

- Greater independence/efficiency of the judiciary
- Greater protection of human rights
- Freedom of expression and greater access to the media
- Reform of the electoral/political system
- Greater balance/separation of powers
- Decentralization of power/resources
- Improved civil-military relations

**(\*\*) Participation, demand-making and good governance**

**Critical Assumptions:**

1. The new GOP will enjoy significant legitimacy through free and fair elections in 2001.
2. Civil society will continue to exhibit a collaborative spirit and a consciousness will grow among political actors about the need to better represent citizens.
3. Steady progress in improving the socio-economic conditions of Peruvians.
4. GOP's strong and continuing political will to advance democratic reforms.

The Development Hypothesis underpinning the Results Framework is that democratic processes and institutions will be strengthened in Peru in critical areas by:

**Strengthening the capacity of civil and political society to aggregate and express citizens' interests and demands for more democratic practices (participation, demand-making, good governance)**, which itself requires citizens and political leaders to be better informed, civil society networks to be stronger, and decision-making processes at the local level to be more participatory, among other contributing factors; and by

**Helping keep citizen attention focused on the need to monitor implementation of the agreed-upon democratic reforms and translating that attention into demand for continued implementation**, which itself requires mechanisms to monitor implementation of reforms, to inform citizens about the status of reforms, and to allow citizens to communicate their views on the reforms to the congress and other decision-making bodies; and by

**Strengthening the capacity of public sector entities to serve as independent, democratic institutions**, which itself requires selected public institutions to have the willingness, technical expertise and resources to implement the agreed-upon reforms, alone, or in collaboration with expert non-state actors, as appropriate.

The Intermediate Results (IRs) described below are causally-linked in that a strong, “bottom-up” effort to represent and articulate citizens’ needs and interests -- as will be pursued under IR 1.1 -- is needed to build greater public demand for and oversight of progress made on implementing reforms – an effort that will be supported under IR 1.2. In turn, strong citizen demand for and oversight of progress made on implementing reforms will encourage selected public institutions to follow-through and operationalize reforms, alone, or in partnership with expert civil society groups – efforts that will be made possible, in part, with the resources and know-how provided under IR 1.3. The links between IRs, therefore, flowing from left to right on the Results Framework, can be thought of as “bottom to top” and somewhat chronological in order.

## **Intermediate Results**

This section describes the rationale behind the selection of the Intermediate Results and provides illustrative activities that will be pursued under each. The Mission bases the illustrative approaches outlined below on its past experiences and recommendations from partners, the evaluation of its democracy education and awareness activities, the DG Assessment and the OAS recommendations. The evaluation recommended that the program concentrate on achieving clear and specific results in the next five years (as opposed to investing heavily in civic education for future generations), seeking greater synergies among counterparts by encouraging consortia or umbrella projects, and promoting SO1 objectives throughout the rest of the Mission’s program. The DG Assessment proposed illustrative activities in the five spheres of influence in which checks and balances on centralized power are normally exercised: the judicial and legislative branches of government, local government, mass media and a sphere the authors refer to as “political society”, i.e., political parties and other forms of civic association.

### **IR 1.1 Capacity of Civil and Political Society to Promote More Democratic Practices Strengthened**

One of the clear weaknesses observed during the 2000 electoral process was the inability (read lack of interest or incentive) on the part of the political party system to represent citizens’ needs and interests and offer viable policy alternatives. The authors of the DG Assessment recognized this problem but felt (and the Mission agreed) it was premature for the Mission to



work directly with political parties to strengthen them institutionally. They recommended instead that the Mission look for ways to strengthen the ability of civil society to aggregate and express citizen interests outside of the weakened party system. The first IR, therefore, will seek to do just that by financing the training of citizens in rights and responsibilities as the critical first building block for an effective civil society. The Mission will also provide training to emerging political leaders, to prepare for the day when political parties are more committed to representing citizens' needs and interests, and the political and electoral system better favors such representation. If the 2001 elections are deemed free and fair and the process transparent, and political party participation is increasingly comprehensive and inclusive (i.e., broader representation of the young, new leaders, and women) over the course of the strategy period, the Mission may include political party strengthening under this IR.

In addition to aggregating citizens' needs and interests, civil society serves as an important "watchdog" on abuse of public resources and authorities. Through support to activities under this IR, the Mission will provide its principal anti-corruption assistance as it helps Peruvians create diverse checks on corrupt activities, through citizen vigilance and monitoring of government action. As a complement to these efforts, a modest amount of assistance may be provided under IR 1.1.3, if appropriate, to work directly with selected state institutions (e.g., Controller General and/or local governments) to foster greater transparency and reduce opportunities at the national and local levels for official corruption.

Under this IR, special attention will be paid to strengthening networks of civil society organizations that advocate for greater media access and independence, or networks of television and radio stations that increase the flow of information to citizens. These efforts would build on expected successes during the 2001 electoral process related to increased access to the media and greater objectivity of coverage by the media of candidates and issues. Support will also be provided to civil society groups or networks that advocate for decentralization of resources and authorities to the local level. At the appropriate juncture, this may be complemented with sponsorship of debates or public hearings on key decentralization legislation, such as the organic law for municipalities or further reforms to the decentralization framework law.

The Mission will seek ways to strengthen networks of civil society organizations advocating on issues beyond democracy, as for example in the case of the network of environmental advocacy NGOs being promoted by SO4, or the girls' education network being promoted by SpO6. The Mission will work under this IR to promote grassroots participation in local government decision-making as a way to promote good governance and greater transparency at the local level. It will also strengthen the bottom-up representation capacity of national-level civil society advocacy organizations. This last area will serve as a natural link to the efforts of other SOs working at the local level to promote various aspects of socio-economic development.

### Illustrative Activities

The following illustrative activities are presented separately, but many may be combined into the Indefinite Quantity Contract (IQC)-like mechanism discussed under the Synergies Section, as these interventions are needed (with the possible exception of training for political leaders) under each of the Mission's SOs. In addition, the Office of Transition Initiatives (OTI) from the Bureau of Humanitarian Assistance will provide short-term support in critical areas, where an immediate response to key transition needs in Peru is needed, and for which OTI has expertise.

- **Increasing civic awareness of human rights and responsibilities.** This type of activity would include training on human rights (including women's rights), the electoral process, mechanisms for citizen participation and other topics related to the exercise of active and

responsible citizenship. Other SO counterparts and beneficiaries would also be targets of such training. The Mission might also consider supporting other related initiatives, such as providing technical assistance, through OTI, to the likely-to-be-created Truth Commission.

- **Training new political leaders in their rights and responsibilities.** The Mission proposes first to sponsor training on rights and responsibilities and effective representation of citizens' needs and interests to emerging political leaders. If changes are made to the Peruvian political system or legal framework that result in strengthened and more representative political parties, e.g., the adoption of a multiple-district electoral system or a law regulating political parties, consideration will be given to undertaking political party strengthening activities.
- **Strengthening civil society organizations and networks of civil society organizations, including those working to advance media independence and access.** In order to strengthen the capacity of individual NGOs and networks of NGOs, the Mission will provide selected institutional strengthening assistance. Such assistance could be in the form of enhancing information systems linking related groups of NGOs (as we have done for the member organizations of the National Human Rights Coordinator) or assistance in strategic planning or agenda-setting. Among the important networks to strengthen are those comprised of groups that advocate on freedom of expression and other media issues and/or networks of independent radio and television stations. Assistance that could strengthen the latter would be technical assistance from foreign media operations on how the Peruvian press and television and radio stations can become less dependent on GOP advertising as a principal source of revenue. Assistance under this illustrative area would also extend to networks of NGOs working in other SO areas, like the ones mentioned above.
- **Enhancing the advocacy skills of civil society organizations to help bring pressure to bear on decision-makers.** Closely related to the previous activity, the Mission will provide assistance to enhance the general capacity of civil society groups (or networks of groups) to effectively conduct advocacy campaigns and better target their messages to the respective audiences. This assistance will cut across all the Mission's SOs, as advocacy is a skill needed to promote policy reform in all our SO areas. To improve the chances that the advocacy messages will be heard and have influence, the Mission will also help sponsor under the next IR, congressional hearings around the country on issues of general policy concern to Mission SOs, as in the case of decentralization. Civil society groups would then be able to take advantage of these opportunities to communicate their messages to key decision-makers and thereby advance their advocacy agendas.
- **Promoting participation at the local level.** This activity would include interventions to promote collaborative action among representatives of key groups at the local level – including community-based organizations, NGOs and local governments – to improve participation, transparency/accountability and good governance at the local level. This activity would also cut across all of the Mission's SOs.

#### **IR 1.2 Public Awareness Raised about Need to Monitor Implementation of Democratic Reforms**

This IR relates very specifically to the role citizens and civil society will play in keeping up pressure for reform on the GOP -- through their active interest and oversight -- to implement democratic reforms recommended by the OAS and others. Through this IR, the Mission will support programs to monitor implementation of the reforms, inform the public on the status of these reforms, and sponsor channels for citizens to express their views on the implementation of specific reforms. Special attention will be given to promoting the participation of women,

youth, disadvantaged groups and Peruvians from the provinces. Much of this work will be done through the mass media. While the first IR is a more comprehensive civil and political society strengthening effort and cuts across all the Mission's SOs, work under this second IR will relate specifically to generating and sustaining citizen interest in monitoring the implementation of the democracy reforms recommended by the OAS and subsequent dialogue fora (such as the Congress).

#### Illustrative activities

- **Supporting mechanisms developed by civil society groups and others** (e.g., the Ombudsman) **to monitor progress on democratic reforms.** It will be important to keep forefront in the public eye, the progress being made on the democracy reforms recommended by the OAS and others. Initiatives in critical areas, such as anti-corruption and civil-military relations, will also receive additional assistance from OTI. USAID sponsorship of such mechanisms will strengthen the oversight capacity of civil society on GOP follow-through on commitments made and the management of public resources.
- **Financing programs through the media to inform citizens about the status of democratic reforms.** Under this rubric, the Mission will support innovative education programs through the media, centered on the reforms recommended by the OAS and others. The goal is to inform the greatest possible number of citizens about the status of recommended reforms, with the ultimate objective of strengthening the practice of citizen and civil society oversight.
- **Supporting mechanisms to channel citizen feedback on reforms to Congress.** After the OAS departs, Congress is likely to be – as indeed it should -- the locus for discussion among Peruvians on the reforms. Thus, it will be important for citizens to have ways to communicate their views on specific reforms to Congress. Under this IR, therefore, the Mission will help sponsor congressional hearings around the country on issues related to implementation of the reforms. Efforts in this area will dovetail with the advocacy training provided to civil society groups under IR1.

#### **IR 1.3 Selected Public Institutions More Independent and Effective**

In the event that the new GOP entering office in July 2001 has the willingness to continue to implement the reforms recommended by the OAS, the Mission will fund activities related to direct implementation of institutional reforms by selected GOP entities (IR 1.3.1). (Note: the universe of "Selected Public Institutions" includes: the Ombudsman, Justice Sector Institutions [the courts, the Constitutional Tribunal, the National Council of Magistrates, the Judicial Academy and the Ministry of Justice], the electoral bodies [ONPE, JNE, RENIEC], the Congress, and selected local governments). The extent to which USAID will work with public institutions in key reform areas will depend largely upon the: priorities set forth by the new GOP Administration and the Peruvian people, amount of funds available to the Mission, MPP priorities, USAID's comparative advantage, and other donors involvement. The Mission will consult first with the World Bank and IDB to learn about their plans in this regard, to avoid any possible duplication and to coordinate assistance. The Mission is already preparing to provide such assistance to the electoral bodies prior to the 2001 elections. Other key areas will be justice sector reform, decentralization, local government strengthening (this, ideally, when the enabling environment has improved, but in selected cases in the absence of such overall framework reforms), and legislative strengthening, as conditions become appropriate. Conditions will be appropriate for work with the legislature when substantial progress has been made in terms of the congress becoming a more legitimate and representative body. A key sign of greater legitimacy would be declarations by observers that the 2001 congressional elections

were free and fair. A sign of broader representation would be increased participation in the congress of minority groups and representatives from the provinces (ideally through a move to a full multiple district electoral system). Assistance to the Congress – in addition to the judiciary – would further promote a real separation/balance of powers in Peru and would further strengthen representation through stronger legislator-constituent relations. The fund for these institutional strengthening activities would be financed from Economic Support Funds (ESF) for each fiscal year of the new strategy, and from OTI.

With regard to IR 1.3.2, positive collaboration between government and civil society has already occurred at lower levels, particularly between human rights NGOs and the Ombudsman and civil society groups and the Ministry of Justice on conciliation. The Mission will continue to support and encourage these kinds of efforts and expects that the new GOP will seek out civil society expertise as it begins to implement agreed-upon reforms.

#### Illustrative activities

- **Supporting reforms through direct assistance to national-level GOP institutions.** In the justice sector this could imply working with some of the counterpart institutions identified above and might involve judicial training, a review of the Criminal Procedures Code and reforms to the Public Ministry (similar to the U.S. Office of the Attorney General), among many other possibilities. In the electoral area, the Mission will likely continue to provide technical assistance to the electoral bodies as a follow-on to the assistance it expects to initiate prior to the 2001 elections. Over the medium-to-longer term this would include new staff training and encourage improved coordination between the three electoral bodies (note: civil society efforts could also focus on advocating for reforms to the electoral system above and beyond that which was adopted before the 2001 election, such as unification of the electoral bodies. If such reforms occur, technical assistance would be provided under this IR to facilitate implementation of these changes). If conditions become right to work with Congress, the Mission's support would likely focus on strengthening communication between the legislators and their constituents, and with civil society groups, on issues of importance to Peruvian citizens. Initial efforts in this area could be supported by OTI to build a platform for a longer-term program. The Mission would consider other, more technical, areas for strengthening subject to a needs assessment and keeping foremost in mind that assistance in this area should be geared to helping the Peruvian Congress become a more democratic, and not just technically more sophisticated body. In the area of decentralization, assistance to Congress or national Ministries will depend on the priorities of the new GOP. Nevertheless, given the public's priority on this theme, and as part of IR 1.1., the Mission might consider supporting civil society initiatives to foster debates and advocate for political support. OTI could also provide assistance in the area of decentralization.
- **Strengthening local governments.** Such assistance would ideally follow on to a major decentralization effort by the GOP. However, assistance in this area will continue, if ESF or OTI funds are made available, to facilitate greater citizen participation at the local level and ensure greater transparency –contributing therefore to anti-corruption efforts- and good governance. Assistance could include replicating lessons learned from USAID's experience in carrying out local government strengthening activities in San Martin, in areas of the country beyond the coca growing regions. Geographical priority would be given to SO2's economic corridors and areas where SO1 is training female local government officials. This area provides significant opportunities to achieve synergies with other SO programs, since all of them (i.e., Peru-Ecuador border development, alternative development, girls' education, environment, health, and poverty) involve the active participation of local governments for the implementation of their programs and the sustainability of results.

- **Supporting public sector reforms through public-private partnerships.** This area could embrace many of the efforts the Mission has been supporting over the last several years, such as the collaborative work on conciliation between the Ministry of Justice and various civil society organizations, and on human rights between the Ombudsman and the National Coordinator for Human Rights and its member groups. With the appointment of a new Ombudsman in 2001, it will be particularly critical for the Mission to promote continued, active partnerships in this area.

The Mission will issue a broad-sweeping call for proposals by means of an Annual Program Statement (APS) procurement just prior to the start of the new strategy period. This will be the first step in identifying possible approaches and partners for the above efforts. A Strategic Objective Agreement (SOAG) will likely be signed with the new GOP to obligate funds to enable selected public institutions to carry out recommended reforms. If the new GOP is sufficiently favorably disposed toward implementing democratic reforms, the Mission may choose to obligate its entire democracy program under the SOAG.

#### Summary of Expected Achievements:

By 2006, the Mission expects to achieve the following, as a result of the above-mentioned efforts:

**IR 1.1 Capacity of Civil and Political Society to Promote More Democratic Practices Strengthened.** At the end of this period, citizens and political leaders will be better informed of their rights and responsibilities in a democracy. Closely integrated networks of civil society organizations will be aggregating citizen interests and communicating these interests to political leaders and the government at various levels through regularized consultation processes. Among such groups or networks will be those that work to strengthen the media in terms of its independence and the reliability of information it transmits to citizens, and those that promote decentralization. Citizens will view these organizations as one of several possible channels to articulate their interests and demands. Stronger political parties may be better representing the interests of constituents. There will be much greater participation of citizens in strengthened local government processes. While much can be accomplished by 2006, the work under this IR is long-term and will continue beyond the strategy period. This work provides the underpinnings of a successfully functioning democracy.

**IR 1.2 Public Awareness Raised about Need to Monitor Implementation of Democratic Reforms.** At the end of this period, Peruvians will continue to view the advancement of democratic reforms as something that should be a top priority on the GOP agenda. The media will continue to report regularly on progress, or lack thereof, on democratic reforms. Efforts under this IR will peak somewhat early in the strategy period, but the goal is to institutionalize mechanisms for citizen monitoring and information so they continue to exist on their own beyond the strategy period.

**IR 1.3 Selected Public Institutions More Independent and Effective.** At the end of this period, the GOP will be implementing key democratic reforms through close collaboration and consultation with civil society, or through its own internal reform processes. The judiciary and legislature will be stronger (including more responsive to citizens), more independent bodies, contributing to greater separation and balance of powers in Peru. Local governments will also be stronger, more autonomous and more responsive to citizens in the community, once (if) legislation is passed to more aggressively promote decentralization and transfer of resources and authorities. If sufficient political will exists to undertake serious democratic reforms, and our other critical assumptions hold, the Mission expects that significant progress will have been made under IR 1.3 by the end of the strategy period. A moderate to substantial amount of

targeted technical assistance for institution building, however, will likely still be needed from the donor community beyond the strategy period.

#### D. Proposed Performance Measurement

The indicators at both the SO and IR levels in most cases are “check list” types of measures that include a strong element of subjective assessment. The Mission will consult expert opinion where appropriate and will maintain detailed background information on precisely how we will know when the specific measures have been met. A DG Assessment conducted at the end of the strategy period will help the Mission to evaluate whether the SO level indicators have been met. Some of the other indicators, at the IR level, are based on national level public opinion polls like those the SO1 program has relied on in the past to measure program performance, and in a few cases on information gathered from focus groups. Baseline information is available in some cases from the previous public opinion surveys. These illustrative performance measures will be refined in the Mission’s Performance Monitoring Plan (PMP). To the extent feasible, when developing the PMP, the Mission will look for opportunities to standardize citizen participation and other democracy-related indicators across the SOs to facilitate aggregation of results in this area.

Performance Measurement	Illustrative Targets
<b>SO 1: Democratic Processes and Institutions Strengthened in Critical Areas</b>	
1. Proposals for democratic reforms prepared in consultation with civil society organizations	<b>Baseline</b> (2000): Proposals for judicial and electoral system reforms were prepared by civil society organizations for presentation to the OAS-led Dialogue <b>Target</b> (2006): At least five specific reform agendas have been developed in consultation with civil society in the areas of justice and human rights, freedom of the press, electoral and political system reform (including political party strengthening), decentralization, and improved civil-military relations. (Source: Democracy Assessment conducted at end of period)
2. Agreement reached between civil/political society and the GOP on proposals for reform in the specific areas recommended by the OAS	<b>Baseline</b> (2000): Some very initial political agreement was reached at the OAS-led Dialogue on reforms related to the electoral system and judiciary <b>Target</b> (2003): GOP has agreed to implement major reforms in the justice sector and electoral system, and provides greater protection for human rights (including freedom of the expression and access to the media). (Source: DG Assessment)
3. Agreed-upon reforms are being implemented by the appropriate state or private sector institution(s)	<b>Baseline</b> (2000): Judiciary and legislature are not independent powers <b>Target</b> (2006): The Judiciary is independent from the Executive (e.g., the executive commissions have been eliminated, judicial reform processes are headed by judges, the judiciary operates with its own budget, most judges are permanent). The Constitutional Tribunal is fully operational with balanced, objective justices. Peru has actively returned to the Inter-American Court of Justice. The new Ombudsman is highly respected and independent, is supported by congress and civil society, and has an adequate budget from the national treasury. Human rights are strongly protected. Freedom of, and access to the press has been improved. The electoral system has been reorganized to be fully independent from Executive influence. Decentralization is underway (e.g., more authorities devolved to the municipalities, including revenue generation authorities). The military is under full civilian control (e.g., the military and intelligence budgets are open for full review by congress and civil society). (Source: DG Assessment)
4. A more representative political system is established and functioning at the local and national levels	<b>Baseline Local</b> (1998): 5% of Provincial Mayors are women (10 of 194) 3% of District Mayors are women (48 of 1,624) 20% of Provincial Municipal Council are women (333 of 1,656) 25% of District Municipal Council are women (2,027 of 8,135) <b>National</b> (2000): Electoral and political party systems do not guarantee adequate representation of citizens) <b>Target Local</b> (2002): Increased percentage of women in municipal offices <b>National</b> (2006): Multiple district electoral system has been established, along with other improvement referenced in baseline. Political parties better represent citizens’ interests. A truly representative Congress is functioning. (Source: DG Assessment)

Performance Measurement	Illustrative Targets
<b>IR 1.1: Capacity of Civil and Political Society to Promote More Democratic Practices Strengthened</b>	
1. Citizens' knowledge of rights and responsibilities	<b>Baseline</b> (1999): 60.3% of citizens nationwide 32.7% of disadvantaged groups (IEP survey, 1999) <b>Target</b> (2006): 80% of citizens nationwide 50% of citizens from disadvantaged groups (Source: bi-annual public opinion survey)
2. Citizens reports on whether they perceive themselves to be better represented by political leaders and parties	<b>Baseline</b> (2000): None <b>Target</b> 2006): TBD (Source: bi-annual public opinion survey, new question must be added)
3. Citizen perception of the efficacy of civil society advocacy organizations	<b>Baseline</b> (2000): Some citizens perceive civil society representation/advocacy concerns to be overly Lima-based; three civil society organizations (CNDDHH, <i>Consejo por la Paz</i> , and the CGTP) sat at the OAS-led Dialogue <b>Target</b> (2006): TBD (Source: public opinion survey)
4. Citizen perception of how open local governments and CBOs are to including citizens in decision-making processes	<b>Baseline</b> (2000): None <b>Target</b> (2006): TBD
<b>IR 1.2: Public Awareness Raised about Need to Monitor Implementation of Democratic Reforms</b>	
1. Frequency of appearance in the media of USAID-sponsored citizen education programs (debates, foras, etc.) related to democracy reforms	<b>Baseline</b> (2000): Zero <b>Target</b> (2006): At least one appearance per week in media of key democracy themes as a result of USAID-sponsored activities (Source: counterpart reports)
2. Democratic reform issues presented before decision-making bodies at various levels reflect citizen input	<b>Baseline</b> (2000): Minimal citizen input at present <b>Target</b> (2006): <b>Significant</b> (Sources: public opinion surveys and Focus groups)
3. New mechanisms established for monitoring implementation of reforms	<b>Baseline</b> (2000): None <b>Target</b> (2006): Three mechanisms have been established and are functioning (Source: counterpart reports)
4. % of citizens reached through USAID-sponsored citizen education activities	<b>Baseline</b> (1999): TBD <b>Target</b> (2006): 50% of Peruvian citizens (Source: counterpart reports and public opinion survey)
<b>IR 1.3: Selected Public Institutions More Independent and Effective</b>	
1. Specific institutional reforms made by public sector entities, as part of the democratic reform process	<b>Baseline</b> (2000): None <b>Target</b> (2006): At least four examples of reforms in key areas (Source: DG Assessment, plus counterpart and monitoring reports)
2. Instances when selected public institutions sought feedback from citizens at a critical juncture during implementation of reforms	<b>Baseline</b> (2000): TBD <b>Target</b> (2006): At least one example when citizen feedback was sought in each institutional arena where reforms are being implemented
3. Concrete results from public-private partnerships addressing critical areas	<b>Baseline</b> (2000): Several to date resulting from two partnerships -- MOJ-conciliation NGOs; Ombudsman-human rights NGOs <b>Target</b> (2006): Additional results from these two partnerships and specific results from at least two other partnerships in additional key reform areas

TBD: To be determined

## E. Critical Assumptions

Measuring continuing political will on the part of the new GOP to implement critical reforms will be important throughout the strategy period. The critical assumptions for the Mission's democracy program are outlined below. If those related to political will and legitimacy – numbers one and four -- are not met, the Mission will consider modifying the SO1 Results Framework by eliminating the word "Institutions" from the SO statement, and reformulating and significantly limiting the scope of its efforts under IR 1.3. The Mission is optimistic, however, that this will not be necessary. There are four critical assumptions the SO1 team has identified for USAID/Peru's democracy strategy over the next five years:

- New elections will take place as scheduled in 2001, and the electoral process will be determined by impartial observers to be reasonably free and fair. As a result, the new GOP will enjoy significant legitimacy.
- Civil society will continue to exhibit a collaborative spirit and a consciousness will grow among political actors about the need to better represent citizens (if not, the capacity of civil and political society to promote democratic practices will not be strengthened [IR1.1]).
- Slow and steady progress will be made to improve the socio-economic conditions of the Peruvian people (if not, it will be difficult to stimulate public awareness about the need to monitor implementation of democratic reforms as the vast majority of Peruvians will be too focussed on survival issues to care [IR 1.2]).
- The new GOP will exhibit strong and continuing political will to advance democratic reforms (if not, democratic institutions will not be strengthened [IR 1.3]).

## **F. Program Synergies**

The entire USAID/Peru portfolio will promote the expansion of sustainable opportunities for improved quality of life through democratic institutions and processes. SO1, therefore, will continue to work in close collaboration with other SO teams to create new opportunities for synergies in our respective activities. It will also provide support to other teams in its areas of expertise. One of the principal ways SO1 will do this is through an IQC-like grant or contract it will develop to provide technical assistance and training to other SO partners and customers. Such training or technical assistance would be on topics such as human rights (including women's rights, children's rights and prevention of domestic violence), mechanisms for citizen participation and advocacy techniques, among other basic democracy areas. Through this mechanism or otherwise, SO1 will also promote the adoption of common standards of democratic practice in Mission activities, and the introduction of basic democracy concepts into the content of the educational/training programs that the Mission sponsors. Common standards of democratic practice would include such things as participation of beneficiaries in the definition and selection of programs/investments (this is already happening to some degree but the Mission recognizes it can do better). Basic democracy concepts include human rights (including reproductive rights, the right of girls to receive a complete education, the right of citizens to participate, among others) and basic conditions for a democracy (tolerance and respect for the rule of law, etc.).

Virtually all of the SO teams have identified specific opportunities for synergies under SO1's IR 1.1, "*Capacity of Civil and Political Society to Promote More Democratic Practices Strengthened.*" Opportunities for collaboration were identified by each of the SOs in the area of increased citizen participation in decision-making processes at the local level. All of the SO teams plan to work at the local level with either community organizations or local governments, or both. Examples of common concerns include the ability of citizens to express their needs and opinions (related to food security needs, health services, economic or social infrastructure, environmental concerns, or respect for rights in general) and the responsiveness of local government to the needs of citizens.

Absent other geographic criteria, SO1 will seek to work in geographic areas where other SOs are active to achieve greater synergies. Several SOs have identified the economic corridors where SO2 has (or plans to have) economic service centers for potential joint activity investments. SO1, too, will give priority to those areas to enhance synergies.

## **G. Contribution to Conflict Prevention**

The political crises resulting from the controversial national elections in 2000 led to the political polarization of the country and international concern for Peru's fragile democracy. Now,



Peruvians, especially the poor, are questioning whether they have sufficient opportunities to improve their lives, viewing with skepticism the performance of key institutions, and questioning their democratic institutions and processes (perception of performance is low, confidence in electoral and judicial institutions is almost non-existent, the degree of disaffection with government has increased). This situation puts Peru at risk for an eruption of violent civil unrest. However, in spite of the recent setbacks, with the commitment of the new interim GOP to deepen and expand the democratic processes and the calling for new elections in 2001, Peru has an opportunity to recover from its internal crises and continue on the path of development.

Democracy and good governance in Peru are very fragile and not truly embedded in the fabric of Peruvian society. They are currently seriously hindered by the lack of effective checks and balances on the exercise of political and executive power at both the central and local governmental levels. Specifically, the lack of effective limits on executive power has led to political manipulation of the judiciary, disregard for the rule of law, violation of basic citizen rights and liberties, and limited government transparency and accountability.

Lacking a deep-rooted commitment to democracy, the military has embraced ideologies that often disregard democratic solutions and commitments, thus resulting in social conflict. Today, Peru is beginning to come out of its political crisis and the armed forces, which were perceived as part of the problem, are now reorganizing to support positive political changes. Lower ranking officers also seem less willing to contemplate violent methods to address their grievances, as seen in the recent unsuccessful uprising of a lieutenant colonel in a southern mining town. His action has been simultaneously criticized and praised by prominent political leaders. A military coup now appears to be only a remote possibility.

There also exists a skepticism, especially among young people, of the usefulness of citizen participation through official channels. Nevertheless, young people made their presence known in the recent election, although they still lack sufficient constructive ways to channel their enthusiasm and political interests. If they do not see any real change in the political environment, they will feel frustrated and their participation in public affairs could decrease or turn violent.

Efforts to promote a culture of peace and to implement mechanisms to solve conflicts through dialogue need strengthening. In this context, SO1's strategy strives to reduce conflict by strengthening democratic processes and institutions in critical areas. The OAS proposed a set of institutional reforms that could be undertaken in the short and medium term, involving concrete government actions as well as dialogue and collaboration with the political opposition and civil society organizations. Many items on the reform list are by definition legislative initiatives, and must pass through the Congress.

USAID/Peru will contribute to reducing conflict vulnerability by supporting efforts to encourage the passage of reform bills in the next congress, and promoting a greater degree of institutional autonomy and integrity to restore equilibrium of powers among all branches of government. Also, USAID/Peru will help to advance decentralization in the absence of formal decentralization policies and help prepare municipal governments for this change, thereby defusing regional antagonism toward the central government. Local and regional initiatives will contribute to greater local participation in decision-making, community development and strategic planning, and technical assistance will create the capacity for municipalities to improve the use of public resources while generating their own additional resources.

## **H. Commitment and Capacity of Other Development Partners**

The commitment of civil society partners to promoting democratic processes in Peru is very strong and is expected to continue as long as the agreed-upon reforms begin to be implemented. It is anticipated that the level of commitment to democratization of the new GOP will be moderate to very strong.

The commitment of other donors to support democratic reforms is very high, particularly among the group that is active on the Governance Group of donors. The Mission will engage in a strategic effort to leverage other donor resources. Utilizing the extremely positive experience the SO1 team has had to date and the leadership role it plays as a member of the Governance Group (Germany, Canada, Switzerland, Finland, EU and UNDP, among others). USAID will encourage the expansion of the Governance Group to include all the major donors, especially the World Bank and the IDB who have recently been invited (again) to join.

USAID remains the leading donor in democracy, however other main donors in this area are: Germany-GTZ (with \$8 million planned for 2000-2005), Spain (with \$4 million planned for the same period), European Union (EU), Canada, Switzerland (COSUDE), United Kingdom, and Netherlands. Other donors' activities are mainly focused on support to the Ombudsman, decentralization initiatives, modernization of the justice sector, and recently, support to the electoral process. The InterAmerican Development Bank (IDB) has an active \$20 million loan focused on the modernization of district judicial courts. A matrix of donor programs in the democracy area will continue to be updated, especially those programs related to the OAS-recommended reforms, and GOP initiatives.

## **I. Customers**

SO1's ultimate customers are the citizens of Peru, particularly the individuals and community groups that have been the most vulnerable and marginalized, including the rural poor, women, indigenous groups, and other ethnic minorities, youth and the disabled. These groups have been excluded from participation in political life in Peru, and do not have full access to opportunities that would lead to better and more informed participation in the decision-making processes of their communities.

SO1 will work with numerous intermediate customers to strengthen their capacities to promote democratic practices and become more democratic and effective institutions. These include non-governmental organizations and civil society groups which: (1) foment participation and democratic reforms, (2) inform citizens, (3) work with women to promote their political participation, (4) advocate for decentralization of resources and authorities to the local level, and (5) train other marginalized groups in rights and responsibilities as the first step to strengthen civil society. Other intermediate customers include selected GOP institutions, such as the Office of the Ombudsman, the Ministry of Justice, other justice sector institutions, electoral bodies, the Congress and selected local governments.

The customers, in essence all Peruvian citizens but with particular emphasis on poor and marginalized groups, have a much heightened awareness about the democracy problems in the country after the flawed 2000 electoral process. They are looking to the current transitional scenario with hope and anticipation that democratic practices and institutions in their country will be strengthened. Some of the poorest and most marginalized Peruvians, however, will become greater proponents of democratic reforms as they become more aware of the power of citizens to contribute to the political process in ways that affect their day-to-day lives, as a result of USAID-sponsored training in rights and responsibilities over the strategy period.

## **J. Sustainability**

Sustainability will be sought through a multi-faceted approach by USAID, its development partners, the GOP, local groups and individual efforts of citizens. It will be ensured through an appropriate mix of a participatory-minded citizenry and more effective public institutions. The two tend to propel one another: pressure from citizen groups will encourage reform of government institutions and more effective and responsive institutions will encourage participation as citizens see that their efforts have an effect. At the end of the proposed timeframe, it is expected that there will be: 1) a “critical mass” of skilled and effective citizens and civil society groups that have the knowledge, desire and ability to continue to participate and interact with the government; and 2) concrete improvements in the public institutions that were the subject of democracy reforms, particularly as related to their greater willingness and capacity to interact with the citizenry and perform in a more transparent manner. This result will be enhanced by the establishment of formal and informal mechanisms that foster citizen feedback and reform.

Achievements under SO1 will enhance the sustainability of other Mission and GOP efforts, but does not mean that Peru will be a completely sustainable democracy. Rather, it will mean that Peru will continue along the path of democratic consolidation. Development of a democracy is a long-term if not continuous process, and there will likely still be a need for USAID support in this sector beyond this five-year strategy period.

## Strategic Objective # 2: Increased Economic Opportunities for the Poor in Selected Economic Corridors

Strategic Objective 2, Increased Economic Opportunities for the Poor in Selected Economic Corridors (SO2) represents both a continuation and a refinement of the SO2's current strategy "Increased Incomes of the Poor." SO2 maintains its overall focus on sustainable economic growth and is geographically focused in "economic corridors," areas that have the highest concentrations of both poor and extremely poor, along with the demonstrated potential to take full advantage of the economic opportunities that Mission activities will make available.

SO2's development partners have collaborated in the design of the new five-year strategy. Several workshops were held with all partners to identify the most important development issues, propose solutions and develop the results framework. Moreover, SO2 and the Title II partners completed a comprehensive participatory evaluation, as well as an update of the food security study for Peru. These major assessments, along with USAID-financed poverty studies and surveys, which also captured the views of our customers, enriched the thought that has evolved in this new SO2 strategy.

The SO2 strategy is built on the successes and experience gained during the last five years. Careful targeting of resources, based on continuous monitoring, assessing and learning, have directed SO2's efforts to alleviate and reduce poverty in Peru. For example, USAID and its partners have contributed to the food security needs of more than 1.8 million people in over 5,800 communities. Through village banks and other microfinance institutions, more than 55,000 urban and rural poor, mostly women, have had access to credit. In addition, assistance to improve productivity, competitiveness, and information has provided greater access to markets and resulted in, sustainable income generating opportunities to nearly 10,000 small farmers and microentrepreneurs. Further, USAID-financed studies and technical papers, such as the Mission's Food Security Strategy, have been the foundation for the Government of Peru's anti-poverty strategy and its economic corridors approach.

### Borrowing for the Future

SO2 invests approximately ten percent of its annual budget in the microfinance sector to build institutional capacity within NGOs and other lending institutions to develop sustainable lending programs to the poor and extremely poor. PRISMA -- one of our partners -- uses Title II resources to set up village banks in some of the poorest areas of Peru's highlands. When the Romero family couldn't find work in Peru's capital, Lima, they decided to move back to their native mountain village of Lircay. With her husband unable to provide for the family, Julia learned that PRISMA was going to establish a village bank in Lircay, and helped organize it with her neighbors. She used her first loan of 500 soles (about \$140) to buy fried doughnuts and fish to sell as a street vendor. Her daily purchases of fish soon increased from eight kilos to 12, 15, and eventually 18, as word got out about the high quality of her food. Julia diversified her products even more, selling fried pork and candies at weekend fairs. Within a couple of months, she was able to cover all her family's living expenses, had gained added respect among her neighborhood, and was especially well loved by all the children who called her "Señora Julia" and bought her candy. Julia's husband has now joined her in this family business, and the two of them participate regularly in their community bank meetings. Julia is in her second loan cycle, and her near-term goal is to open a small restaurant and to pay off her son's education. Julia is one of thousands of SO2 beneficiaries who have discovered that borrowing for the future can also pay important dividends now in self-respect, while empowering community organizations to provide solutions for their members.

The SO2 strategy also recognizes the indispensability of citizen participation and democratic mechanisms to the achievement of sustainable results, and thus contributes to **USAID/Peru's overarching goal to promote the expansion of sustainable opportunities for an improved quality of life through strengthening democratic processes and institutions.** Just as democracy is vital to the success of all our undertakings, many of the activities within SO2 contribute directly to some of the vital underpinnings of any democratic society. These include personal empowerment, decentralization and the adoption of democratic practices.

These contributions are perhaps most evident in SO2's village banking programs. In addition to the empowerment that comes with the increased economic opportunity provided by credit, these programs provide practical lessons in the practices and consequences of democracy. Each community group elects a board of directors, which oversees the process of giving out and collecting loans. In this way, community group members learn about accountability and how their own decisions, and those of their representatives, directly impact the bank's overall success and that of each of the bank's members. In a similar manner, many of our activities promote decentralization, particularly decision-making at the local and regional level. This is evident in the general focus of our programs in the economic corridors. For example, one endeavor is the establishment of regional councils, made up of business and community leaders, which will seek consensus on the principal impediments to, and opportunities for, economic development that can be addressed at the local level. This effort to achieve general agreement on such important issues is, in itself, an important exercise in democratic negotiation. These councils will then meet with local officials to make known their needs, whether regulatory or infrastructure, and work with them to find operable solutions to the issues presented. This organized lobbying at the local level is a prime example of democracy in action, and one that should demonstrate its efficacy in the manner in which it generates greater responsiveness to peoples' expressed needs.

#### **A Linkages to USG, Summit of the Americas, Agency and Host Country Goals**

<b>USG National Interests / Strategic Goals</b>	ECONOMIC PROSPERITY/ECONOMIC DEVELOPMENT Promote broad-based growth in developing and transitional economies to raise standards of living and lessen disparities of wealth within and among countries. Open world markets to increase trade and free the flow of goods, services, and capital.
<b>Summit of the Americas</b>	ERADICATING POVERTY AND DISCRIMINATION - Encourage micro-enterprises and small businesses. - Ensure micro, small and medium size enterprises have access to credit. ECONOMIC INTEGRATION AND FREE TRADE
<b>Peru Mission Performance Plan (MPP)</b>	Encourage broad-based economic growth and development in Peru.
<b>Agency Framework – Primary Link</b>	GOAL 1: BROAD-BASED ECONOMIC GROWTH AND AGRICULTURAL DEVELOPMENT ENCOURAGED 1.3: Economic Opportunity for the Rural/Urban Poor.
<b>Agency Framework – Secondary Links</b>	1.1: Private Markets 1.2: Agricultural Private Markets Development/Food Security. 4.2: Infant/Child Health/Nutrition improved. 3.1: Quality Basic Education, especially for girls.
<b>Government of Peru</b>	A reduction by one-half in the proportion of people living in extreme poverty, from 15% in 1996 to 8% by the year 2005.
<b>USAID/Peru Food Security Plan</b>	Highest priority is bringing about sustainable increases in the incomes of Peru's poor.

#### **B. Development Challenge**

Economic statistics for Peru, such as per capita Gross Domestic Product (\$2,065 in 1999), can be misleading because they belie the fact that poverty is Peru's most widespread and intractable problem. Income distribution in Peru is extremely skewed, and more than half of the population lives on an average of \$1.25/day. A recent living standards study, partially financed by USAID, has pointed out an overall increase in the levels of poverty over the last three years, from 50.7% to 54.1% of the population. With over one-half of the country's population unable to secure a minimum level of essential goods and services, and therefore classified as poor, the Government of Peru (GOP) places the highest level of priority on overcoming poverty.

In 1990, Peru was a state with a collapsed economy, hyperinflation, rampant terrorism and political chaos among other grave problems. Extreme poverty was affecting 26.8% of the population and the percentage of people living in poverty was 57.4%. USAID played a critical role in assisting the GOP to design its bold macroeconomic reform program during the early 1990's, when Peru was isolated from the international financial community. During the 1990's, the GOP progressively increased resources to foster economic growth and, in particular, to maintain an extensive social safety net for the poorest of the poor throughout the country. From 1994 to 1997 alone, more than 1.3 million additional jobs were generated in the Peruvian economy, though many were in the informal sector, with workers lacking formal contracts, pension funds, or health insurance. Further, the GOP dramatically increased annual per capita resources to provide basic social services from a level of \$13 in 1990 to \$180 in 2000. Many of these activities have been carried out within the framework of the Government's "Targeted Strategy to Combat Extreme Poverty" - an outgrowth of the Mission's Food Security Strategy, which in 1996 set for itself the ambitious objective of reducing extreme poverty in Peru by one half (22% -11%) by the year 2000.

While significant progress has been made, and after a steady decline from the early 1990s through 1997, the percentage of "extremely poor" Peruvians, i.e., the worse-off sub-set of the poor, has leveled off at an estimated 14.8%. "The extremely poor" are synonymous with "the food-insecure." The daily per capita expenditures of the extremely poor in 2000 were only \$0.72. This was insufficient for extremely poor households to obtain the minimum daily food requirements, both caloric and nutritional, for maintaining a healthy and productive life. It is estimated that the ranks of food-insecure Peruvians are increasing by at least 75,000 new entrants annually.

Notwithstanding advancements in targeting resources to the poor and extremely poor in the 1990s, most GOP programs did not achieve their expected results. Much of the underachievement has been attributed to the impact of a series of internal and external shocks, such as the El Niño phenomenon and various international financial crises, which hindered both production and investment, and have brought on an economic recession aggravated by the recent political turmoil. However, one must also cite the failure of the GOP to effectively integrate its social programs and submit its highest priority activities to sound technical scrutiny and evaluation, as other major factors contributing to its inability to fully achieve its proposed objectives.

The current Government and opposition leaders have expressed a commitment to continue the anti-poverty struggle in the future. Nevertheless, priority programs, which are funded with substantial allocations from the treasury and multilateral development bank loans, will have to achieve significantly improved efficiency if they are to effectively reduce poverty. In addition, in the next twenty years, it is improbable that growth of the Peruvian economy will, on its own, provide sufficient new employment opportunities to address the income needs of those already unemployed, along with the new population reaching a productive age<sup>1</sup>. Hence, additional, targeted programs that facilitate, in a cost-efficient way, the improvement of family incomes will be necessary, especially for those people residing in Peru's highlands and jungle regions. Expanding economic opportunities for women will be particularly important, as worldwide experience has shown that increased women's incomes will be principally utilized to better feed their children and provide for basic household needs.

Effective poverty reduction through accelerated growth will also require macroeconomic stability, low inflation and high investment rates, elements that are currently in serious doubt because of Peru's political instability. Moreover, those farther from information and financing

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<sup>1</sup> In order to create sufficient jobs for the currently unemployed/underemployed, it is estimated that a 7-8% average yearly growth in Peru's GNP over the next 15-20 years is required.

will benefit last from any opportunities that economic growth creates. SO2's strategy aims to work at the client and community level, trying to reduce the gap and allow the benefits of economic growth to reach the majority of the poor more rapidly. As a major component of SO2's resources, the Title II program will be focused on extremely poor, food-insecure Peruvians in ten priority economic corridors. The SO2 strategy will also continue to support the GOP's anti-poverty strategy, particularly by promoting those successful and replicable experiences that the Mission finances, many through the private and NGO sectors, and by sharing and disseminating the findings and recommendations of updated food security and nutrition strategies.

## **C. Results Framework**

### **Strategic Objective Rationale**

The SO2 strategy focuses on the large segment of the population classified as "poor," as measured by such indicators as the lack of availability of sufficient resources to meet basic food and other living requirements. In 2000, it is estimated that more than one of every two Peruvians is classified as "poor." A subset of the poor, and the particular concern of SO2's strategy, is the "extremely poor," which comprise 15% of the Peruvian population in 2000, with the highest incidence in rural areas. These people are food-insecure, i.e., they do not have sufficient food resources to meet the caloric and micro-nutrient needs of their families. In the rural highlands and jungle areas, most of the extremely poor have less than a hectare of land to farm. For most of the year, they are mobile and work as laborers, often for other poor farmers who are relatively better off and can afford to pay the modest daily wage. The overall SO2 strategy to focus on the poor with greater development potential, as well as the extremely poor, enhances the opportunities of the extreme poor to better manage the severe conditions of their poverty.

The strategy also has a geographic orientation. Economic corridors demarcate the country according to the natural economic and commercial links that exist between important cities and towns, and their surrounding countryside. More than to promote the development of a secondary city expanding market, the economic corridors approach differs from the secondary city market town concept in that it identifies and supports the dynamic commercial linkages and trade flow among one or more key secondary cities and many smaller communities of a third order in a given geographical area. Concentrating SO2 efforts in these areas represents the most effective and strategic utilization of our resources, while acknowledging that poverty is a reality throughout Peru. It also presents a true challenge that will help validate our development approach. In conjunction with the collaboration and harmonization of our efforts with those of other social assistance agency programs (including other SOs), we expect that success achieved in these difficult areas will encourage replication in other regions.

The priority economic corridors selected by SO2 are the ten areas that have the greatest confluence of extreme poverty and marked potential for economic growth in the highlands and jungle areas of Peru. They are named after the principal cities in each region: Puno, Huanuco, Huancayo, Tarapoto, Cuzco, Jaen, Ayacucho, Cajamarca, Huaraz and Pucallpa. These areas include some of the most economically depressed and remote sectors of Peru. In fact, poverty is generally more concentrated in the rural areas of Peru than the urban areas (66.1% rural - 45.2% urban), according to the Cuanto Institute's most recent living standards survey. These figures also show that the incidence of extreme poverty in rural areas is more acute (30.1% rural - 4.7% urban), especially in Peru's highlands and jungle regions.

The fundamental premise behind this approach is that the target population groups in the selected economic corridors are poor and extremely poor because of their isolation. They are

removed from markets, appropriate information about crops and products, business development services, affordable credit, and adequate health and education facilities. They also lack the means to have their grievances and concerns addressed and resolved. The basic idea is that providing and facilitating greater access to these essential goods and services on the part of the target population will reduce the levels and incidence of poverty in the target areas. We expect to attain our planned target figures for reducing the percentage of extremely poor and increasing the availability of micro-finance services to the poor in the economic corridors by 2006.

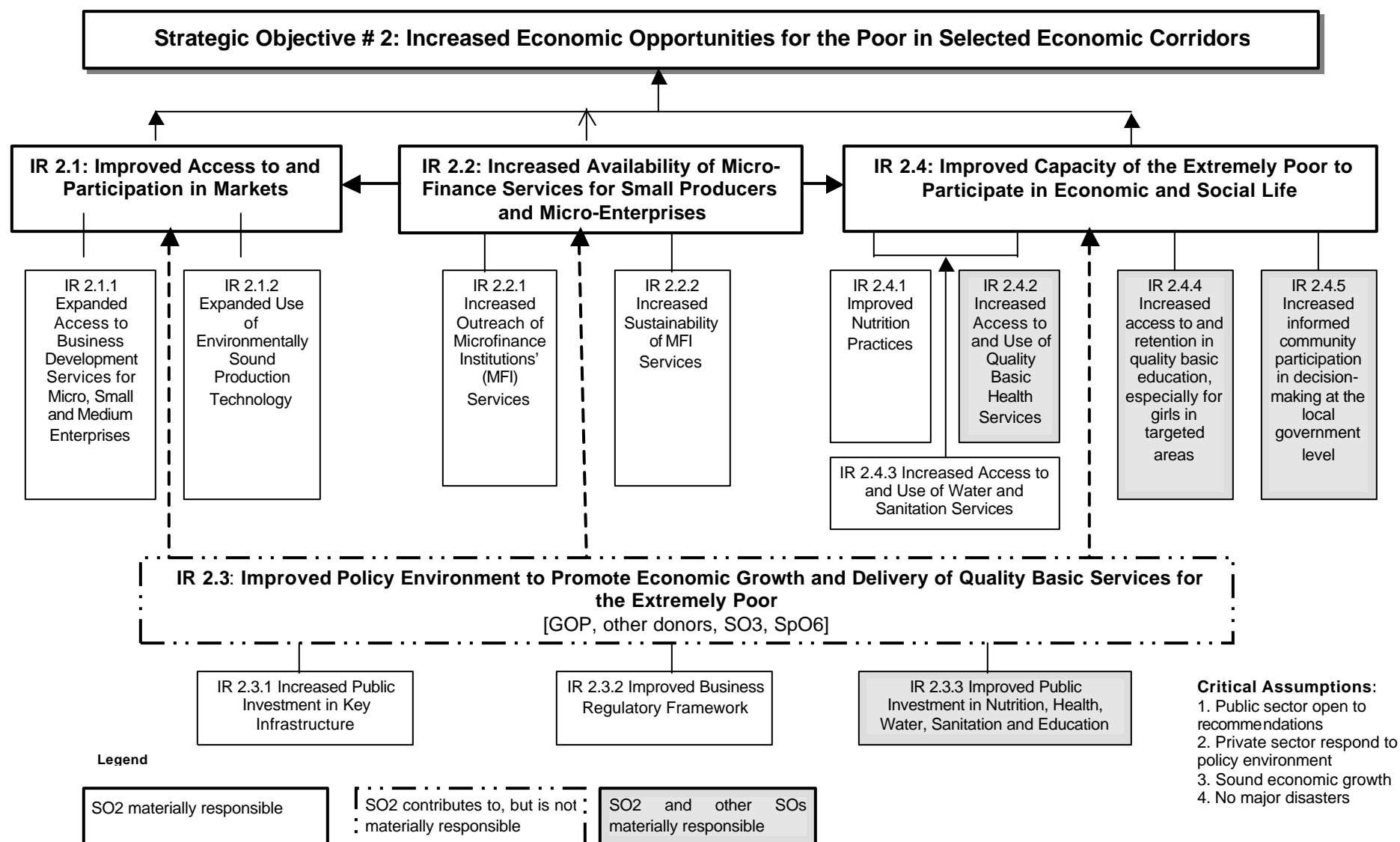
The logic of this results framework has been strengthened and validated by lessons learned over the previous strategy period in a major USAID-supported activity and by its impact on public sector programming. The methodology under the SO2 Microenterprise and Small Producers Support (MSP) activity improved market-oriented production and increased investments, employment opportunities and sales, benefiting the poor by increasing stable income and purchasing power. In addition, access to affordable credit has been critical to expand and improve business initiatives. This is particularly true for poor women who, due to cultural and social biases, have long been excluded from such services. The GOP in its targeted anti-poverty program also incorporated a focus on priority economic corridors, particularly by the Ministry of the Presidency's prioritization of social and productive infrastructure investments.

The inclusion in the Results Framework of improved productive capacity of the extremely poor presents another indispensable dimension of poverty reduction. Programs that promote increased citizen participation in decision-making and seek improved collaboration between civil society organizations and local governments are valuable factors in achieving SO2's food security objectives. They give people better means to present and address their basic concerns. Similarly, the extremely poor cannot be productive and competitive when employment opportunities do arise, if they are infirm or malnourished and lack the wherewithal to control their own destinies. Strategic policies to promote democratic practices and investments to provide more efficient and effective basic social services for the poor, particularly in the areas of primary health and nutrition and basic education, are also essential elements of a coherent poverty reduction plan.

The strategy will identify, support, and monitor the progress of programs and activities that lead to increased economic opportunities for the target population. SO2 considers that the projects and activities that it is undertaking constitute a unified approach to enduring poverty reduction in Peru. These programs are interrelated and mutually supportive in that each leads to the achievement of more than one Intermediate Result (IR). The principal programs being carried out under the SO2 are: P.L. 480 Title II Food Assistance; Microenterprise and Small Producers Support (MSP); Poverty Reduction and Alleviation (PRA); and a new Microfinance Initiative scheduled for start-up in 2001.



Figure 3: SO2 Results Framework



## **Intermediate Results**

There are four Intermediate Results that lead to the overall objective of providing the poor with increased opportunities to overcome poverty. These are:

### **IR 2.1 Improved Access to and Participation in Markets**

This IR will provide production and marketing services that will enable targeted entrepreneurs (of micro, small and medium size enterprises) and farmers to link their products to identified demand. Although increased productivity and improved market access are intimately related, an increase in productivity will not result in increased incomes, if there is no market demand for the products in question. This principle of proven success in the Mission's current SO2 activities can be stated simply as "produce what can be sold and not just what one has traditionally produced." Similarly, improved access to markets will not automatically result in a significant increase in net income if greater output at lower cost is also not achieved. The business development services provided will include technical assistance, training, and current and practical information on prices and projected product demand, along with processing, quality and delivery requirements. These services will foster and make available the most appropriate production technologies for micro-entrepreneurs and small farmers. The services provided will respond to specific client needs and demands, and introduce economies of scale, reduced production costs, and increased productivity. This IR will ultimately impact favorably on the level of investments, family incomes, and employment in the target corridors.

#### **Illustrative Activities**

The activities that contribute to this IR are MSP, PRA and Title II. MSP identifies markets with specific demand for locally produced products and then links microentrepreneurs and small farmers with local support organizations that provide the necessary business development services and production technologies that will enable participants in these areas to improve their productivity and competitiveness in the marketplace. PRA makes marketing and production assistance available to small and medium companies through its Economic Service Centers located in each of the ten priority economic corridors. In addition, these centers provide access to current and projected market information, along with information regarding financial and transport services. A key function of the centers is the development and facilitation of commercial contacts between buyers and local producers, as well as the identification of companies willing to invest capital in local enterprises, thereby increasing production in the region. Both of these activities have been successful in generating increased incomes and employment for our target beneficiaries.

### **IR 2.2 Increased Availability of Micro-finance Services for Small Producers and Micro-Enterprises**

Micro-credit is a key element in the SO2 strategy. This credit will intentionally target women because of long-standing social and cultural impediments that have excluded them from accessing credit, and because of the documented linkage between women's increased income and its priority use for children's basic nutritional, health and educational needs. In addition, the creation, growth, strengthening and diffusion of sustainable micro-finance institutions (MFIs) with activities throughout the poorest areas of Peru are vitally important objectives under this IR. With USAID assistance, sustainable MFIs will be able to expand their services to new areas, and, by increasing their efficiency, they will be capable of providing services at competitive costs for the poor. The spread of MFI activities throughout the economic corridors will not only provide an economic floor for poor families, but will also result in considerable human capacity development and empowerment of participants.

### Illustrative Activities

This IR focuses on supplying a large and growing volume of small credit (under \$300) to micro-entrepreneurs for purposes of empowerment and poverty reduction. Activities leading to this IR have been carried out under MSP and Title II, and the new Microfinance Strategy will seek to consolidate and build upon the successes to date. They principally involve raising the number of recipients and the volume of credit available to micro-entrepreneurs, primarily poor women, through a growing number of increasingly sustainable microfinance institutions. They will include new funding mechanisms, such as a trust fund and loan guarantee fund, which will significantly expand and, more importantly, leverage the amount of credit funds available to MFIs. SO2 will also encourage diversification of MFIs' services to include deposit/savings, insurance, and other financial services for the poor.

### **IR 2.3 Improved Policy Environment to Promote Economic Growth and Delivery of Quality Basic Services for the Extremely Poor**

This IR actively pursues the improvement of policies that impact on increased productive investments in carefully targeted areas that, as described above, have high potential for economic and social growth and a high probability of providing employment and productive opportunities for the poor. We are convinced that the impact of a more targeted and more efficient use of GOP resources in social investment programs can have enormous and resounding benefits on virtually all government-sponsored activities. Similarly, any influence that can help to improve roads and remove regulatory obstacles impeding fuller and freer commerce will have an immediate payoff in increased incomes of the target population.

### Illustrative Activities

Development endeavors under this IR are focused on achieving policy reform measures to reduce the isolation of our economic corridors. In some cases, the policy issues addressed are national in scope, such as the development of the updated food security and poverty reduction strategy, a comprehensive national strategy to reduce chronic malnutrition, or a proposed national map of potentialities. SO2 will join efforts with other SOs to advocate for improved social investments in health, education and water and sanitation. This IR will also coordinate closely with IR 2.1 by identifying market access policy issues that support and strengthen IR 2.1's more specific policy dialogue activity.

Economic policy dialogue activities are carried out under PRA. Those policy dialogue issues are focused specifically on the analysis of current situations and structures that impede economic growth, and are coordinated closely with the PRA's Regional Support Committees are being formed to broaden the participation of key actors and decision-makers. Committee participants include the heads of regional governments (CTARs) and sectoral organizations, local governments and community associations, producer groups and NGOs. Policy reforms sought with the Ministry of Economy and Finance and other ministries include those leading to increased public investment in transportation, energy, and irrigation infrastructure, and the revision of the business regulatory framework, which will enhance commerce and economic growth by, for example, reducing transaction costs. Whether these policy reforms and their concurring benefits are national or more focused in scope, the intention of SO2 is to limit results monitoring to the framework of the selected priority economic corridors. In addition, the PRA has close links with the Ministry of Industry, Tourism, Integration and International Trade Negotiations and the Commission for the Promotion of Exports. Over the course of the program, SO2 expects to address numerous policy issues that will have a direct bearing on economic growth for Peru. These might include: taxation, tariff and incentive policies that

promote key sectors, such as agriculture, and help make Peruvian industry more competitive on the world market; phytosanitary requirements for increased agricultural exports; and export policies and regulations that impede increased trade with neighboring countries and the U.S.

Moreover, policy dialogue will also be pursued with other donors, among which there is a firm view that economic growth is the necessary underpinning for poverty reduction. Several mechanisms will be used, for example, through the Poverty Forum process launched in 1998 with USAID, World Bank, European Community and GOP support. The Forum enabled all participating organizations in 1999 to achieve relatively widespread consensus on strategic proposals to improve the efficiency and impact of social service programs. Similar consensus-building is hoped for in 2000 when debate will focus on policy issues related to promoting investments, generating employment opportunities, and increasing incomes of the poor, and its indispensable link with economic growth. As of now, the monitoring and application of these strategic proposals is left to each participating organization entity. A proposal is with the current Poverty Forum Committee to establish a mechanism to effectively monitor the implementation by participating organizations of recommended policies and practices.

#### **IR 2.4 Improved Capacity of the Extremely Poor to Participate in Economic and Social Life**

Food insecurity for the approximately 3.8 million Peruvians who are too poor to access adequate food for their families must be overcome for there to be hope they can function as full members of society. Food insecurity in Peru manifests itself via the high percentage of children who are frequently ill and become chronically malnourished. Fundamental conditions must be met to reduce the incidence of this malady. These conditions combine short-term interventions with medium and long-term development priorities. They include the consumption of nutritious food, access to health information and services, adequate water and sewerage infrastructure to prevent the spread of disease, access to appropriate education, and improvements in the democratic institutions and practices, especially at the local level, give the ordinary citizen more voice and responsibility in making daily decisions affecting the well-being of their families.

Nutrition activities will focus primarily on children three years old and younger. This age group is most likely to become chronically malnourished, a condition that is irreversible with life-long repercussions for a person's physical and mental growth. One of every four Peruvian children under the age of five is chronically malnourished, and almost one out of every two in the rural highlands and jungle areas of SO2 economic corridors. The mothers of these children will receive information and training on a range of topics that promote family health, including basic hygiene and food preparation practices and where to access basic health services. The development of water and sanitation infrastructure, and community participation in its maintenance, will ameliorate health threats for the entire community and ensure the sustainability of nutrition-related investments. Educational activities - be they short-term training under direct SO2 support, or longer-term educational opportunities for school children and adults - will develop the skills required for people to address their immediate food security needs, become more productive individuals in the work force and community, and develop more control over and accountability for the use and management of local resources.

#### **Illustrative Activities**

This IR will be supported by Title II activities and by complementary investments of other USAID/Peru teams and their partners. Title II activities in the health and nutrition sector will build on the successes of the past, which sought the most cost-effective mix of interventions between food for distribution, information and training, and small infrastructure projects, especially those related to safe drinking water and community sanitation. SO2 and SO3 will

form a working group to assure complementarity in addressing community-based health issues. Some Title II activities will support agricultural production linked to market demand, and others will promote access to micro-finance services. Other Title II activities will build on successful lessons learned in promoting increased participation by extremely poor Peruvians in developing solutions to their food security needs, and in strengthening the role of local governments and local organizations in improving food security. SO2 will coordinate with SO1 to take advantage of broader Mission experience in promoting democratic processes and values, and in strengthening local democratic institutions, and also with SpO5 in strengthening local governments. Better-informed people, both through short-term training opportunities and long-term education, are essential to ensure that development advances are sustainable and passed on to family members, the community, and future generations. SO2 will coordinate with SpO6 to improve targeting of education activities in economic corridors.

**Title II Program-** SO2 has worked closely with the Title II partners to update the future directions of the Peru Title II program and define the parameters for the next and last round of Title II investments in Peru, from FY 2002-2008. Potential partners will prepare development proposals to direct Title II investments in high priority economic corridors where SO2 is focusing its strategy. USAID will work closely with these organizations, as they develop their detailed operational plans, to encourage complementarity with ongoing investments in the corridors. Besides focusing on food security issues, the new partners will be expected to show how democracy, especially the strengthening of local institutions and increased citizen participation, will contribute to our food security objectives. The new round of Title II programming will be negotiated and ready for implementation in FY 2002, to coincide with the beginning of the new USAID/Peru strategic plan. This timing will permit our new partners to be closely involved with the implementation of our strategy from its outset.

#### **D. Proposed Performance Measurement**

As more economic opportunities are provided, the participation of SO2's customers in the economy, as measured by their per capita expenditures, will increase, and the levels of poverty and extreme poverty will, accordingly, decrease. Indicators at the intermediate result level largely reflect the focus on activities which will eventually lead to an increase in income, productivity and employment, especially in the development of micro-enterprises and the use of micro-finance services by the poor. However, other SO2 activities will take a supportive approach to increasing economic opportunities by ensuring the sustained capacity of beneficiary families to break the cycle of poverty caused in part by inadequate health and nutrition practices and by limited formal basic education. SO2 indicators aimed at social reforms will monitor progress in accomplishing a policy agenda targeted at health, nutrition, and basic education issues.

SO2's overall goal is poverty reduction in the target corridors. With the expectation of measuring that result, it has undertaken baseline surveys to assess the current levels of such key indicators of poverty as chronic malnutrition in all ten corridors. Subsequent surveys will be conducted in three years to determine the impact of SO2 activities on these indicators.

Business development services expect to generate improvement in the levels of sales and employment in the enterprises with which they work directly. The total additional revenues generated from any technical assistance provided to enterprises should be at least five times the cost of providing that service. These figures will be generated and monitored by an independent contractor overseeing the activities. Micro-credit programs will monitor the total number of clients participating in programs, the increase in overall credit made available to microenterprises and small farmers, and the levels of institutional/financial sustainability of participating MFIs.

The proposed Performance Measuring Framework reflects the indicators to be tracked under SO2 and each IR. Upon approval of the strategic plan, SO2 and its partners will refine the proposed indicators, baselines and targets, and complete its Performance Monitoring Plan.

<b>Illustrative Performance Measurement</b>	<b>Illustrative Targets</b>
<b>SO2: Increased Economic Opportunities for the Poor in Selected Economic Corridors</b>	
1. Percentage of extremely poor in economic corridors.	<b>Baseline</b> (2000): 14.8% (national), 18.2% in Corridors. <b>Target</b> (2006): 15 % in Corridors
2. Poverty gap (Gap between average total expenditures of the poor and the value of basic basket of goods and services).	<b>Baseline</b> (2000): 34% (national), 38.4% in Corridors. <b>Target</b> (2006): 30% in Corridors
<b>IR 2.1: Improved Access to and Participation in Markets</b>	
1. Increased value of new sales of products and services.	<b>Baseline</b> (2000) : NA <b>Target</b> (2006): US\$ 190,000,000
2. Number of jobs generated (full-time equivalent jobs) by SO2 assisted enterprises (sex-disaggregated).	<b>Baseline</b> (2000) : NA <b>Target</b> (2006) Jobs: 51,000 jobs
<b>IR 2.2: Increased Availability of Micro-finance Services for Small Producers and Micro-Enterprises</b>	
1. Number of active clients (sex-disaggregated).	<b>Baseline</b> (2000) : 72,000 <b>Target</b> (2006): Active clients 132,000
2. Total value of loan portfolios.	<b>Baseline</b> (2000) : US\$17,000,000 <b>Target</b> (2006): Increase in value US\$ 40,000,000
3. Number of women clients.	<b>Baseline</b> (2000) : 44,000 <b>Target</b> (2006): 103,000
<b>IR 2.3: Improved Policy Environment to Promote Economic Growth and Delivery of Quality Basic Services for the Extremely Poor</b>	
1. Increased percentage of annual GOP investments in key infrastructure (transport, energy, irrigation) in Economic Corridor Departments.	<b>Baseline</b> (2000) : TBD <b>Target</b> (2006): 30% accumulated increase
2. Increased percentage of annual GOP social investment in primary health, nutrition, and basic education in economic Corridor Departments.	<b>Baseline</b> (2000) : TBD <b>Target</b> (2006): 30% accumulated increase
<b>IR 2.4: Improved Capacity of the Extremely Poor to Participate in Economic and Social Life</b>	
1. Chronic malnutrition rates.	<b>Baseline</b> (2000) : 27.2 % in Corridors <b>Target</b> (2006): 17 % in Corridors
2. Percentage of households with access to water and sanitation.	<b>Baseline</b> (2000) : Access to water 77% / Without hygienic services 33% <b>Target</b> (2006): Access to water 88% / Without hygienic services 25%
3. Number of local governments at district level which are implementing Action Plans, developed with the community, to address food security issues.	<b>Baseline</b> (2000) :TBD <b>Target</b> (2006): 200 districts local governments (out of universe of 323)

**Note:** TBD: To be determined

## **E. Critical Assumptions**

The SO2 development portfolio assumes a collaborative and supportive relationship with public sector counterparts. We expect that the new GOP and its corresponding agencies, such as the Ministries of the Presidency and Health, PRONAA and FONCODES, will be open to recommendations with a sound analytical basis. We also assume that any new GOP initiatives will not run counter to sustainable development principles.

The framework of SO2's selection of ten priority economic corridors contemplates key infrastructure investments by the public sector, especially in roads, energy and water, to realize the full productive and marketing potential within the corridors. These projects often create the conditions necessary to attract and facilitate investments in the corridors. It is assumed that GOP budget priorities and resource allocations to support infrastructure projects identified as critical for economic development in specific corridors will effectively attract such investments by

the private sector. Within the Strategic Plan period, the GOP is also expected to more clearly define property rights as they relate to the use of water and land resources.

The GOP is expected to leave the field for economic and productive investments to the private sector, limiting its role to establishing the norms and regulatory framework for free market transactions. It will also prioritize public infrastructure investments, particularly in roads, energy and water, in support of high potential priority economic corridor needs. It is likewise assumed that improved GOP norms and regulations will facilitate transactions, and help producers to efficiently market their goods.

Key infrastructure investments as well as social investments will also depend on the availability of public resources. Thus, one critical assumption is that Peru's economy will recover and will grow steadily during the next years and will not be affected by disasters, such as El Niño.

## **F. Program Synergies**

There are a number of premises that make up the SO2 strategic plan, including food security, economic opportunity, poverty alleviation, human capacity development, and sustainability. As a result, this SO2 strategy has been developed in consultation with other Mission strategic objective teams. In some cases, there are clear and deliberate overlaps in strategic focus. In these instances, the SO2 strategy draws upon the expertise, or recognizes the strategic importance, of other teams.

SO2 is closely aligned with the Mission's democracy objectives, as the success of many SO2 activities depends on:

- increased, informed citizen awareness and practice of their economic and social rights (e.g., rights to elect their representatives in village banking, to information on markets, to access basic health and education services);
- the use of elected local representatives to advance and defend their economic and social interests (e.g., representation by local government and civil society officials to promulgate policies and make decisions to promote the social and economic development and food security issues of their constituents); and
- the resolution of conflicts and the access of citizens to express their concerns (e.g., how village banks deal with loan renegotiations and defaults by their members, forums for people to present their needs and ideas for improved health services).

Therefore, SO2 will work with the Mission's democracy team, SO1, to monitor progress in improving the participation of people in decision making, and in the strengthening of their representative community organizations. As mentioned before, we feel that the overall thrust of the SO2 program lends itself well to advancing a more effective exercise of democracy in Peru. This is particularly true for our IR 2.4 "Increased Capacity of the Extremely Poor to Participate in Economic and Social Life". Many of the Title II activities will promote the rights of ordinary citizens, especially the extremely poor, to have a voice in identifying and addressing their most fundamental development concerns. This IR also links these better-informed, participating citizens with more responsive local institutions, concentrating on strengthening their technical competence and their participatory approach to problem solving. SO2's contribution to democracy, however, also applies to our assistance to poor small and micro-entrepreneurs through business development services, production technologies, and business credit, which serve to empower those portions of the population with the least economic and political influence. It is equally applicable to SO2 policy reform advocacy which works to create a governmental structure supportive of population needs with regard to basic social services (health, education, water, and sanitation), basic infrastructure (transportation, energy, and

irrigation), and fair and equitable business regulations. In all these areas, our objectives are completely in sync with, and supportive of, the Mission goal of achieving a more democratically functioning Peru.

There is also complementarity with the Mission's health objectives, and we will work with SO3 to maximize that SO's medium and longer term impact on health practices and institutional strengthening, for example, through the CLAS (Local Health Committees) mechanism, in the communities where shorter-term Title II activities are carried out. The Mission's environment team SO4 provides periodic technical support to ensure that SO2 activities comply with environmental regulations, and will be working with SO2 in policies related to the sustainable use of forests. SpO5 and SO2 have similar rural development strategies, and in some cases there is geographic overlap of activities, such as in the San Martin and Huanta-Ayacucho corridors. Both teams will collaborate in areas of mutual interest, and share information on the market potential of value-added agricultural products. There will be consultation with the Mission's Girls Education team (SpO6) to assure that policy agenda items are shared and new initiatives coordinated. Also, by working under IR 2.4 with local officials, policy initiatives affecting the social sectors, especially health and education, will reflect the needs of the people in economic corridors who may eventually migrate to urban centers to seek greater economic opportunities. As SO2 activities develop in the Jaen economic corridor, they will contribute to SpO7 objectives to improve market access opportunities for the San Ignacio border population. In addition, SpO7 is applying lessons learned from SO2 food security programs in dealing with highly malnourished indigenous communities in the Amazon and the Piura highlands.

Several other Mission SOs, including SO1, SO3 and SpO5, are also directly or indirectly providing support to microfinance programs, with varying levels of technical support and expertise. SO2 will continue to collaborate with the other Mission SO teams to develop clear and consistent guidelines for supporting MFIs, and to establish a coherent Mission-wide policy for the purpose of regulating all SO-supported micro-credit activities.

## **G. Contribution to Conflict Prevention**

Poverty is the root cause of people not being able to provide for their most basic needs, and in its most extreme form, the inability to provide the minimal amount of food to maintain a healthy and productive life. The consequences of poverty, then, are often reflected in some form or other in family, communal or societal conflict. Both short-term (e.g. natural disaster emergencies) and most often medium to long-term efforts to combat the causes and consequences of poverty effectively contribute to the prevention of conflicts.

The Mission's poverty reduction activities invest resources in ways to generate jobs and increase the net income of poor families, thus addressing two of the principal factors that often cause or exacerbate conflict situations, unemployment or underemployment and lack of sufficient income to meet family needs. These same activities along with productive and credit components of the P.L. 480 Title II program provide what often are the first non-usury credit opportunities for the poor to expand or diversify their small business ventures.

The Title II program also promotes training in personal, family and community health, as well as the training and organization of strong community groups with specific functions and responsibilities. For example, community committees are trained to install and maintain potable water and sanitation systems, small irrigation systems and community roads, etc., or farm and non-farm associations centered around some productive enterprise. These improvements lead to more capable and confident individuals who are in a better position to take advantage of opportunities that break the poverty cycle, and who are less inclined to pursue violent and conflictive alternatives to achieve their objectives.



An important aspect of the SO activities is the diversity of actors involved from civil society, such as the Title II Cooperating Sponsors and their local NGO, local government or public sector counterparts, and the private sector. Together, this diverse interaction attempts to maximize the potential to influence decision-making at diverse government and institutional levels and across sectors in order to bring peaceful change to the living conditions of the poor in Peru.

## **H. Commitment and Capacity of Other Development Partners**

In attempting to alleviate poverty in some of the most economically depressed and remote areas of Peru, the Mission has taken on an enormous challenge, one that is shared by the number of other agencies and organizations dedicated to attending the needs of the poor. It is of paramount importance that we achieve maximum efficiency in target population coverage and the implementation of compatible strategic approaches. SO2 will require a dedication of substantial time and resources to effectively achieve the coordination and collaboration required among all parties involved, including USAID and its implementing partners, the GOP and its social assistance agencies, and the various other donors, NGOs and community organizations involved in this effort.

**GOP Partners.** To propose, debate and promote positions of Mission and SO2 interests before the public sector, it is essential to have clearly identified the responsible and empowered institutions, commissions or individuals designated by the Government. For some of the SO2 activities, the public sector counterpart entities and individuals have had a relatively long-term and stable relationship. Both the PRA and MSP activities have maintained an on-going dialogue and collaborative association with the Vice-Ministry of Industry/Tourism, Integration and International Trade Negotiations (MITINCI) and the Commission for the Promotion of Exports (PROMPEX). For Title II activities, the National Health Institute (INS) and its National Feeding and Nutrition Center (CENAN) have long been the GOP partner institutions for SO2-supported nutrition programs, as the Ministry of Agriculture's National Program for Watershed Management and Soil Conservation (PRONAMACHCS) has been for soil rehabilitation and agro-forestry interventions. For the overall government-to-government coordination of the Title II Program, the National Food Support Program (PRONAA) has been the GOP's official counterpart. Two situations, however, have evolved which soon will require attention of SO2 and other Mission personnel. The comprehensive institutional government reform that the current administration put on its agenda in the mid-1990's is still pending, but is likely to materialize with the advent of newly elected government in 2001. Not only new faces in key government positions, but newly established institutions and perhaps ministries, will require systematic and tactful follow-up action. Changes of this kind in recent years have required the attention of SO2 personnel with the creation of the Ministry for the Promotion of Women and Human Development (PROMUDEH), the switch of Title II Program partnership from the Ministry of Health (MOH) to PRONAA, and the routine and periodic change of key GOP personnel. However, the extent of future changes could be of almost unprecedented proportions.

**Other Donors.** The donor community as a whole is contributing and plans to invest substantial resources related to, and supportive of, SO2 development objectives during the strategic plan period. Specific SO2 related donors include the World Bank and Inter-American Development Bank (IDB), the United Nations and European Union (EU), multilateral support institutions, and other bilateral donors including Japan, Switzerland, Germany, Spain, Canada and the Netherlands. USAID remains as the single most important bilateral donor in non-reimbursable cooperation in the poverty reduction area. Multilateral banks' investments for the strategic period are focused mainly on economic infrastructure such as roads, energy, water, agricultural research and development, and small infrastructure projects (\$2.1 billion). Other bilateral and

multilateral donors are investing near \$291 million in water and sanitation, microenterprise development, agriculture, poverty reduction projects, and food assistance.

Coordination of donor support is achieved in part through the FAO-sponsored Working Group on Rural Development and Food Security. A proposal to reactivate the WFP-coordinated food aid program committee is also being considered. In addition, through the Poverty Forum process, *Dialogues on the Experiences and Challenges in the Struggle against Poverty*, SO2 pursues a close collaborative relationship with other international cooperation agencies, as well as representatives from the Government of Peru, the private sector, civil society, and the NGO community. All the participants view these forums as valuable means to foster and promote best practices in poverty reduction methodologies. They are expected to continue during the strategic plan period.

## **I. Customers**

SO2's customers are the poor and extremely poor located in the ten economic corridors of Peru. SO2 activities have encouraged and will continue to strengthen the participation by men and women in the development decisions that affect their families and communities. For example, at least 80% of micro-credit loan recipients are women, and their participation promotes their full contribution to addressing household income and food security needs. Men also learn from information sessions promoting family health and nutrition so as to better care for their children. In addition, the Second Poverty Forum program focussed on improving the quality, efficiency and impact of basic social services (i.e., the Education, Health, Nutrition, Justice and Water and Sanitation sectors), and the access to those services by the poor. Throughout this process, in order to ensure their active participation in the debate and commitment to the conclusions reached, the forum events were held in the principal regions of the country and representatives of local community and indigenous associations were integral parts of the forum membership.

## **J. Sustainability**

Some of the proposed activities, such as the new Microfinance Initiative, will focus on achieving and promoting sustainability from the outset, particularly among participating MFIs, many of which form part of the growing village bank network. However, for SO2, sustainability is primarily an issue related to its final customers who are principally the poor and extremely poor. The idea is for increased social and economic opportunities to be made effectively within reach of our target beneficiaries. For the poor, the sustainability of such results and benefits is vital. In the context of the SO2 strategy, this implies that the economic activities in which the poor participate be profitable and be effectively linked to market demand. For the extremely poor, sustainability will be judged principally in terms of their ability to maintain and improve their level of education and health, as well as the nutritional status of their children.

Secondarily, there is the sustainability of those services and goods essential to ensure the value of results and benefits to the final clients. Included are those related to the quality of production, information services, technical assistance and marketing linkages, which in turn are related to the profitability of the customer activities supported, and to the efficiency and costs of the services themselves. All of these are aspects that help ensure their sustainability. In the end, it is the sustainability of the services themselves, and not necessarily of the institution that is currently providing those services, that is of primary importance. An example is the PRA activity Business Service Centers, which do not propose their own permanence but rather the creation of a reliable source of professional and efficient services that meet production-related needs. The clients will ensure the sustainability of the service provider when it is clear that the cost of services provided is less than the added value obtained in their productive activities.

The purpose of model basic social services activities in the education, health and nutrition sectors is to make the beneficiaries more productive in the market-driven world of quality goods and services, and to be competitive in the labor market of employment opportunities. Sustainability of these services must be assured by their adoption by, or transfer to, established governmental or civil society organizations, on the basis of their proven success at achieving desired results with lasting impact and at reasonable cost. A good example is the Title II PANFAR activity (Feeding and Nutrition Program for High Risk Families), designed to combat chronic malnutrition through the integration of health facility services for nutritionally at risk children under five years of age, with a special emphasis for those children under three, and expectant and lactating mothers. This activity has been co-implemented by the Title II cooperating sponsor PRISMA and the MOH since 1988. The MOH has now included the PANFAR program in its annual budget, and, starting in 2002, will assume one hundred percent of the resource requirements of this successful, national program. We will seek similar assumption of other activities by either the GOP or NGO community over the strategy period.

### Strategic Objective # 3: Improved Health for Peruvians at High Risk

“Health” in this strategic objective refers to reproductive health and family planning; selected maternal, adolescent, and child health conditions; protection from emerging and infectious diseases; sustainable health services that respond to clients’ needs and preferences; and protection of the human rights of clients of health services.

The health status of Peruvians today is better than it was a generation ago, thanks in part to a long history of USAID support. A dramatic example of the progress that has been made is in the area of child survival. Peru’s Child Survival program has become a model of coverage and sustainability. The coverage of children by the country’s vaccination program now consistently tops 95%. Births attended by a health professional rose from 19% in 1991 to 57% in 1996. Eighty percent of children under five years of age suffering from diarrhea are correctly treated with extra liquids and/or oral rehydration therapy by their mothers. Ninety-seven percent of babies are breastfed at least part of the time. Sixty-seven percent of pregnant women receive prenatal care. The infant mortality rate has declined steadily, reaching 57 deaths per 1000 live births in 1991 and 43 deaths per 1000 births in 1996. The Year 2000 Demographic and Health Survey (DHS) will provide updated data on these indicators in a few months. Preliminary data indicate that progress continues.

#### Preventing Maternal Mortality

Bertha M. is a 38-year-old Quechua speaker who lives in the mountains of Ayacucho, Peru. She recently gave birth to her ninth child. In late January 2000, Bertha’s mother walked the long distance to the nearest health post to find help for her daughter, who had been in hard labor for 20 hours. The obstetrical nurse and other personnel had no vehicle, so they borrowed some mules, strapped their equipment to their saddles, and began the three-hour trip to Bertha’s house. After they helped deliver the baby, Bertha’s blood pressure dropped precipitously. Medications were administered and an external uterine massage was provided which halted any hemorrhage and enabled Bertha’s blood pressure to rise. Under the USAID-funded ALCANCE project, this nurse had received training in basic lifesaving skills for complications of childbirth and her health post had been provided with essential equipment and supplies. Bertha’s life was saved because there were trained health care providers with proper medications and equipment within walking distance from her home.

The Peruvian family planning program has also been successful, particularly in the last ten years. Ninety-six percent of married women of reproductive age are knowledgeable about modern family planning methods. The percentage of these women using family planning methods (either modern or traditional) reached 57% in 1991 and 64% in 1996. The total fertility rate declined from 4.0 children per family in 1992 to 3.5 children per family in 1996.

As the performance of the country’s health sector has improved, so has the sustainability of its health institutions. Once heavily donor-supported, the national vaccination program is now 98% financed by the Government of Peru (GOP). Similarly, the GOP is taking over the purchasing of contraceptives for the family planning program from USAID. Starting from near-total dependence on USAID contraceptives, the GOP increased its contraceptive budget to about \$1.6 million in 1999 and \$2.3 million in 2000.

Over the next five years, USAID assistance will continue its ongoing efforts to improve Peru’s health institutions and services in a sustainable fashion. The Mission will also add two new dimensions to its health strategy: (1) educating Peruvians about healthy lifestyles and behaviors to reduce health risks, and (2) policy analysis and dialogue concerning health care management and financing.

Strategic Objective # 3 (SO3) is designed to contribute to achievement of the Mission goal of **promoting the expansion of sustainable opportunities for improved quality of life through democratic processes and institutions.** The relationship between improved health and

democratic development, broadly defined, is strong. On one hand, improved health status enables people to more fully participate in development and democratic processes. Good health allows people to take advantage of opportunities for active participation in democratic development, including political engagement, education, activism in civil society, and local community mobilization. Family planning is essential because it frees and empowers women to take advantage of education, employment, political, and community development opportunities.

Conversely, having more effective democratic institutions and processes contributes to improved health. Community control and participation in the management of health services can result in improved services. Demand-driven health services that respond better to citizens' needs and preferences, and that vigorously protect their human rights, become higher quality, more acceptable services that will be more heavily utilized by clients. Providing more and better health information and education to citizens gives people greater control over their own health, enabling them to make their own informed decisions about how best to allocate their resources and change their lifestyles to improve their health status.

Health conditions and services can also serve as catalysts for more participatory ways of involving citizens in their communities and demanding accountability on the part of government services. Health is a direct, vital, immediate, personal concern that affects everyone. Once citizens discover that they can better understand and control vital health conditions and services by working together, they may be emboldened to move collectively into other activities that affect their communities. In this way, mobilizing citizens to deal with health issues can be a "school for democratic participation." The USAID/Peru ReproSalud project has shown that enabling women to undertake their own collective actions with regard to local health issues frequently leads spontaneously to other collective initiatives in areas such as microenterprise, employment generation, and educational services.

Finally, for many Peruvians, public health services such as vaccinations are their most direct contact with their Government. To the extent that this contact can be made a positive experience that responds convincingly to their needs, citizens' predisposition to support the government and participate in democratic processes will be strengthened.

## **A Linkages to USG and Host Country Goals**

<b>USG National Interests / Strategic Goals</b>	GLOBAL ISSUES/POPULATION Achieve a sustainable world population. GLOBAL ISSUES/HEALTH Protect human health and reduce the spread of infectious diseases.
<b>Summit of the Americas</b>	ERADICATING POVERTY AND DISCRIMINATION Equitable access to basic health services
<b>Peru Mission Performance Plan (MPP)</b>	Help people exercise their reproductive rights and space their children in ways that assist informed decision making and promote the health of families. Protect and improve human health and reduce the spread of infectious diseases into, within, and beyond the borders of Peru.
<b>Agency Framework – Primary Link</b>	POPULATION, HEALTH AND NUTRITION 4.2 Infant and child health and nutrition improved and infant and child mortality reduced.
<b>Agency Framework – Secondary Links</b>	4.1 Unintended and mistimed pregnancies reduced. 4.3 Deaths, nutrition insecurity, and adverse health outcomes to women as a result of pregnancy and childbirth reduced. 4.4 HIV transmission and the impact of the HIV/AIDS pandemic in developing countries reduced. 4.5 The threat of infectious diseases of major public health importance reduced.
<b>Government of Peru</b>	No less than 50% reduction in malaria incidence by 2000. Reduce infant mortality rates to 34 deaths per 1000 live births by 2000. Reduction by 50% in infant and under-five mortality in the 136 provinces with the highest rates of mortality. Prevalence in chronic malnutrition reduced from 48% in 1993 to 34% in 2000.

## B. Development Challenge

Peru might be characterized as being at a midpoint in its health status – a midpoint between more and less advanced LAC countries and also a midpoint between where it was two decades ago and where it would like to be. To illustrate this point, the following table compares illustrative key health indicators of Bolivia, Peru and Chile.

**Illustrative Health Indicators: Bolivia, Peru, Chile**

Country	Child Mortality	Maternal Mortality	Total Fertility
Bolivia	85	390	4.4
Peru	54	270	3.0
Chile	12	23	2.4

Source: UNDP, Human Development Report 2000

In spite of the progress that has been made, Peru, by any measure, still faces many challenges in the health sector. Peru's maternal mortality ratio of 270 maternal deaths per 100,000 births is one of the highest in Latin America. More than 50% of pregnancies are in one or more of the "high risk" categories (i.e., when the mother is too young or too old, births are too closely spaced, or there have been many prior pregnancies) that result in unnecessarily high maternal and infant mortality. Over the last six years, an estimated 35% of births were unplanned. It has been estimated that there were 271,150 induced abortions in Peru in 1989, a rate of four abortions for every ten live births. Of these abortions, 50% to 60% produce medical complications, emergency hospitalizations, and/or deaths. The quality of care in Peru's underfunded government health system is notoriously deficient. Scarce supplies and poorly-trained providers often result in services that fall short of clients' needs and wishes. Complaints about neglect and poor treatment are too common, and reports of abuses of clients' rights continue to be heard, although less frequently than in the past.

Because of Peru's environmental and geographic diversity, Peruvians suffer from an unusually large variety of diseases. New and re-emerging infectious diseases such as drug-resistant tuberculosis and malaria, dengue fever, chagas disease, and HIV/AIDS are a growing concern. In the face of these challenges, the ability of the country's health institutions to effectively operate surveillance, biomedical research, and preventive activities is critical to the long-term health status of the country.

Health conditions and health services vary widely as a function of socioeconomic, demographic, and geographic factors. Health indicators are worse for poor, rural, and indigenous populations. Low educational status of girls and women is strongly related to high-risk health behaviors and to poor health. Thanks in part to USAID and Government of Peru (GOP) priority on these disadvantaged sectors, the gap between the rural poor and better-off groups appears to be narrowing somewhat. For example, fertility has declined more in rural areas than in urban areas. The "fertility gap" (the difference between urban and rural fertility) declined from 3.2 children per family in 1992 to 2.8 children per family in 1996. Similarly, infant mortality has declined more rapidly in rural areas than in urban areas. The "infant mortality gap" (the difference between urban and rural infant mortality) declined from 40 deaths per 1000 live births in 1986-91 to 32 deaths in 1991-6. While inequities in health conditions and health services continue to be dramatic in Peru, improvements in rural health services and the migration of rural poor people to cities have resulted in some redistribution of health risks.

Critical problems at this stage in the development of Peruvian health services include: (1) deficient quality, productivity, accessibility, and utilization of GOP health services, (2) inadequate health knowledge and risky health behaviors on the part of Peruvians, and (3) health sector policies and programs that are insufficiently responsive to national health needs and conditions. Each of these problem clusters is discussed below.

**Service quality, accessibility and utilization.** Problems with service quality and utilization are widespread in the Peruvian health system. Field observation by Mission staff and studies from a variety of sources confirm that health services in many parts of the country do not adequately respond to clients' desires and needs. Sometimes they are so deficient that potential clients actively avoid them. One unfortunate indicator of this phenomenon is the country's high maternal mortality rate. Many women chose not to give birth in institutional settings, even when they are easily available. Qualitative studies from the ReproSalud project have confirmed that many women, particularly those in high-risk groups, are afraid to have their deliveries in institutional settings because of concerns about poor service quality, mistreatment, cultural insensitivity, and lack of respect on the part of health care providers.

The performance of professional health service providers is uneven, at best, in terms of quality, productivity, client focus, and compliance with national guidelines. Equity in health services is lacking, reflected in relatively poor outcomes among disadvantaged clients. In addition, management capacity in the Ministry of Health (MOH) to monitor and support frontline workers continues to be weak. Supervision is often inadequate and quality control is poor.

Ministry of Health family planning services continue to be a source of concern and attention for USAID and the GOP. Emerging from a period of ill-conceived family planning and sterilization services that did not meet accepted service quality or human rights standards, Peru's public sector family planning program has rewritten its mandatory "standards of practice" so that international, USG, and national standards are all met or exceeded. However, implementation of the new standards has not been as quick or complete as USAID or the MOH would like. A continuing challenge will be monitoring the treatment of family planning clients (with special attention to documenting compliance with the Tiaht Amendment), improving the quality of counseling and service to clients, and policy-level dialogue and leveraging of USAID resources to encourage implementation of high standards of family planning services throughout Peru.

**Health knowledge and behaviors.** Knowledge about positive health, and reproductive health behaviors and about illness and injury prevention is low among the groups most exposed to health risks. Inadequate health-related knowledge on the part of Peruvians sometimes leads to high-risk health behaviors and failure on the part of many people to take preventive measures that could prevent ill-health. This situation will reverberate and expand as the large cohort of Peruvian youth, who are more exposed than any other age group to potential health risks, passes into its adult years. Ministry and donor programs have historically concentrated more on expensive curative responses to health problems rather than on less costly, more effective efforts to teach the population how to prevent health risks in the first place.

One example of a health practice resulting in part from deficient knowledge is low exclusive breastfeeding. While 97% of newborns are initially breastfed, many mothers begin providing supplementary liquid and solid foods much sooner than is recommended. Only 54% of babies are receiving exclusive breastfeeding by the age of 2-3 months and only 39% are receiving exclusive breastfeeding by the age of 4-5 months. While a number of factors contribute to this less-than-optimal breastfeeding behavior, clearly a lack of information about the advantages of exclusive breastfeeding and the risks associated with supplementation contributes to this unnecessarily risky behavior.

Another example is attended childbirth. Even though 70% of pregnancies receive prenatal care (showing that the mother has access to professional health services), only 50% of births take place in health facilities. Many mothers are not aware of the dangers of obstetric emergencies, incorrectly believing that prenatal visits protect them against the dangers associated with childbirth. As a result, many choose to give birth at home, unknowingly exposing themselves to

serious and unnecessary obstetric risks and, sadly, contributing to the country's high maternal mortality. While other factors such as the cost of institutional births also contribute to the decision of many mothers to deliver at home, greater knowledge of the risks of obstetric emergencies associated with home deliveries could contribute to more institutional births and reduction in maternal mortality.

A third example is knowledge and behaviors related to reproductive risks. According to the 1996 DHS, "rhythm" is Peru's most prevalent family planning method. Yet 46% of those who use the rhythm method do not know the correct days of the month to abstain from sexual relations. Lack of basic knowledge about reproduction and family planning on the part of young Peruvians contributes to the high and growing incidence of adolescent pregnancy. In 1996, 13% of adolescent females between the age of 15-19 were either mothers or were pregnant with their first child. Fifty-one percent of these pregnancies were unplanned. A study by the Cayetano Heredia University in Peru found that 74% of young males participate in paid sex, and 12% had engaged in bisexual behavior. However, among these sexually active young males, only 11% reported consistent use of condoms. Furthermore, only 5.4% of young females correctly recognized their own risk for HIV/AIDS.

**Responsiveness of policies and programs.** The upcoming political transition in Peru may open an important window of opportunity for work in the area of health sector policy reform. It is likely that a new administration taking over in mid-2001 will be anxious to differentiate itself from the prior regime and to initiate innovative new programs and policies. USAID needs to be prepared to contribute to the deliberations of a new group of health sector executives and managers with technical assistance, research, options papers, observation visits, etc. Should these deliberations lead to positive shifts in health sector policies, USAID will reprogram activities as necessary to support reforms that are consistent with this Strategic Objective.

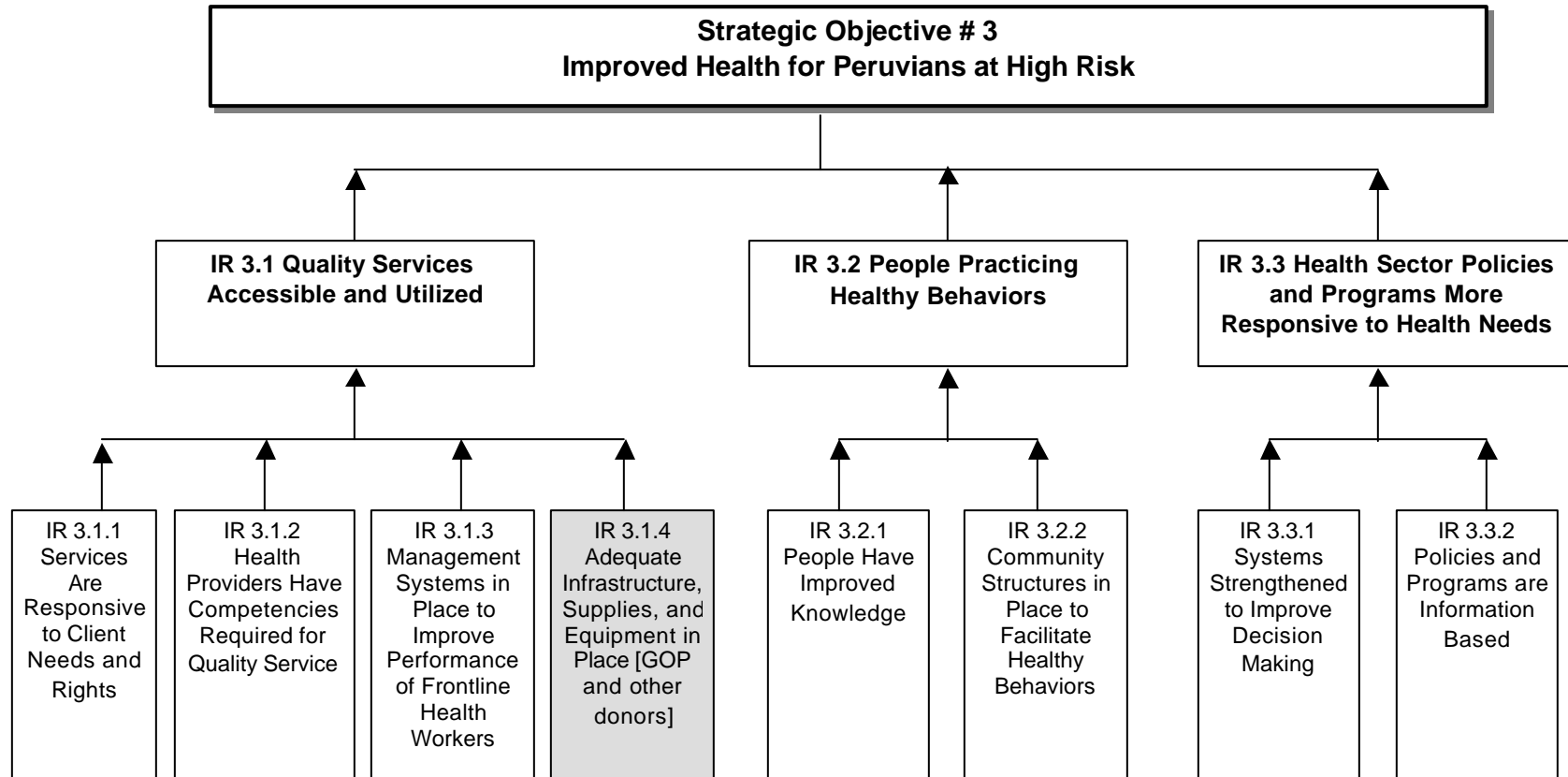
A fundamental policy issue in the Peruvian health sector that needs to be the subject of analysis and policy dialogue is the financing of health services. There is a lack of well-reasoned policies concerning provision and payment of health services, particularly for the disadvantaged. The country suffers from a "crazy quilt" of subsidies, fees, and government insurance schemes that waste resources and do not serve the public well.

Another policy issue is decentralization and democratization of health services. USAID's ReproSalud program, the Ministry's "Local Committee for Health Administration" (CLAS) initiative, and other experiences are convincingly demonstrating that there are advantages to involving clients and communities in such functions as: (1) diagnosis of priority health problems; (2) mobilizing community resources to support health services; (3) managing government-provided health services and money; and (4) supporting health outreach to the local population addressing health problems and behaviors. Consistent with USAID's strategic emphasis on democratization, activities that would encourage the Government to give greater priority to these community control approaches appear to be timely.

National health programs need to be more rigorously grounded in research and data. For example, programs that respond to the appearance of new or re-emerging infectious diseases need to be designed according to research data about the diseases. Also, national and local health statistics and management information capabilities are slow, incomplete, and inaccurate.



**Figure 4: SO3 Results Framework**



**LEGEND**

SO3 materially responsible

USAID not primarily responsible

**Critical Assumptions:**

1. Continued GOP priority on health for all
2. Collaboration of non-traditional health partners
3. Donors will continue support
4. Economic growth will continue or accelerate

## **C. Results Framework**

### **Strategic Objective Rationale**

SO3 will use a three-pronged approach to improving health for Peruvians at high risk. One component (IR 3.1) will continue current efforts to strengthen Peruvian health institutions by improving the quality of services and the effectiveness of management systems. In addition to continuing some current activities, two new components will be added to USAID's health sector strategy. First, a new focus on the behavioral and cognitive dimensions of health (IR 3.2) will be added to promote healthy lifestyles and avoidance of health risks by individuals and communities. Second, a new effort to shape health sector policy reforms (IR 3.3) will be initiated in response to opportunities presented by an approaching political transition. SO3's "development hypothesis" is that the three major components of the strategy – improvement of services and institutions (IR 3.1), behavior change (IR 3.2), and policy reform (IR 3.3) – will result in "improved health for Peruvians at high risk" by 2006.

Underlying principles that pervade the strategy include: (1) promotion of "democratization" in the health sector by encouraging control by and empowerment of the Peruvian beneficiaries of health-related services; (2) integration of health and family planning services to make them more efficient and mutually-reinforcing; (3) equity, assuring that access to quality services is universal without discrimination due to poverty, geography, ethnicity, or gender; (4) free choice based on full information about service options by clients; (5) social, financial, and institutional sustainability; (6) cost effectiveness; (7) cross-sectoral coordination and joint, synergistic activities with other USAID Strategic Objectives; and (8) health education and behavior change at both the individual and community levels.

The strategy will deal with specific health conditions and diseases identified as priorities by U.S. and Peruvian policies. Resources will be allocated to activities designed to reduce HIV/AIDS, malaria, tuberculosis, maternal mortality, unwanted pregnancies, and other present and future U.S. Government priorities in proportion to budgetary earmarks and the seriousness of the specific conditions in Peru. However, the Mission has chosen not to implement a series of disease-specific projects. Instead, USAID's approach will be to support services, change behaviors, and build institutions that can address health conditions in an efficient, sustainable, integrated fashion.

The target group for the strategic objective is "Peruvians at high risk." This target group is defined according to the specific health risks that the Mission program will address. It includes Peruvians at risk of infectious and emerging diseases (tuberculosis, malaria, dengue fever, etc.), people engaging in behaviors that expose them to HIV/AIDS, women exposed to unwanted or high risk pregnancies and other reproductive risks, people who practice unhealthy or dangerous "lifestyle" behaviors such as poor nutritional habits, people with constrained access to modern health services, patients exposed to poor quality health care, and young people who will be exposed to many health risks as they go through life.

Health risks are not distributed evenly throughout the Peruvian population. Urban and higher socioeconomic status Peruvians generally have reduced health risks compared with poor and rural Peruvians. For this reason, the SO3 target group, "Peruvians at high risk," coincides to a considerable extent with the traditional USAID "disadvantaged" target group. However, "Peruvians at high risk" is not sharply defined in geographic or socioeconomic terms. HIV/AIDS risk, for example, is currently concentrated in a few specific urban areas. The risk or prevalence of other infectious diseases may be seasonal and/or regional. Reproductive risks, on the other hand, are found year-round and throughout the country.

A new “high risk” group targeted by the USAID SO3 program will be young Peruvians. The large population of young Peruvians between 10 and 25 years of age is “healthy,” compared with other age groups, but more “at risk” because exposure to most of the major health hazards lies in its future. If today’s young Peruvians take up the risky behaviors practiced by many of their elders, the magnitude of health problems will increase as they mature. Then, as the number of sick people increases, the capacity of the expensive and overburdened curative care system will be stretched to the breaking point. On the other hand, if young Peruvians adopt healthier low-risk behaviors, diseases and epidemics may be pre-empted. This, in turn, will result in improved health status for the population and lower health care costs. There is good reason to hope that a preventive strategic approach designed to improve the knowledge and influence health-related behaviors of young Peruvians, coupled with improved health services, can succeed. Today’s young Peruvians are predisposed to learn and adopt health behaviors. They are better educated, more urbanized, less encumbered with dependents, and more empowered and democratic in outlook than prior generations. If these young Peruvians can be taught to understand and avoid high-risk health and reproductive behaviors, many of the health problems that afflict Peru may be reduced in a permanent, sustainable fashion.

Philosophically, USAID’s approach to health sector assistance in Peru can be characterized as a “rights-based” approach. The view that all citizens in a just democracy have a human right to good basic health care and control of their reproductive lives underlies the strategy. Clients within the formal health system have a right to good quality services and to make their own informed choices about their care. All citizens have the right to access to services and information if and when they need and desire them in the future.

## **Intermediate Results**

### **IR 3.1 Quality Services Accessible and Utilized**

The first Intermediate Result is a continuation of USAID’s traditional efforts to improve formal health service delivery. Four lower-level intermediate results are the necessary conditions for accomplishing IR 3.1. The first is that services are responsive to client needs and rights. If services are demand-driven, they will be utilized more than if they are supply-driven because they offer clients what they want. Broader decentralization of MOH health services and more community control over the management of health facilities and services, contributing to the responsiveness of services to client needs and desires, will be supported. This kind of approach is consistent with the Mission’s priority on empowering Peruvians to participate more actively in development programs and services. Similarly, protecting clients’ human and reproductive rights is fundamental to USAID’s health sector approach. Protecting patients’ rights and providing good quality services are core ethical values of the USAID program, but they also have direct positive impacts on the utilization of health services and on the health status of Peruvians. The relationship between protection of clients’ rights and utilization of health services was dramatically demonstrated during the late 1990s when use of voluntary sterilization services fell by 80% in the wake of highly-publicized abuses of patients’ rights. Abusive, insensitive services will not be used and health conditions of Peruvians will not suffer. On the other hand, services that respect clients’ rights and respond to their needs and preference will be used, contributing to good health.

A second necessary condition for accomplishing IR 3.1 is health providers have competencies required for quality service. Recent self-critiques by Peruvian health professionals regarding the causes of maternal mortality have focused strongly on the need to upgrade the skills of health professionals at all levels. Botched health procedures, even if infrequent, can dramatically reduce utilization of health services as frightened clients stay away. On the other hand,

competent, friendly, gender-sensitive, and culturally-aware providers are the system's best advertisement to increase utilization.

A third necessary condition for accomplishing IR 3.1 is management systems in place to improve performance of frontline health workers. Without efficient and modern management, the quality of services will never be good, their accessibility will be inadequate, and they will not be sustainable. Systems such as statistics and management information, personnel management, financial management, and strategic planning have progressed in recent years with assistance from USAID and other donors, but continued modernization and improvement are needed.

Adequate infrastructure, supplies, and equipment in place, a final precondition to accomplishing IR 3.1, is included in the strategic framework to complete the causal logic of the model. However, USAID expects that support for infrastructure, supplies and equipment will mainly come from the GOP and from other donors.

### Illustrative Activities

Activities under USAID's "Coverage with Quality" project and "Project 2000" have worked successfully to improve the accessibility, quality of care, and management of public health services over the last five years. IR 3.1 of this new strategy represents a continuation of ongoing USAID-supported activities that are supporting better quality services and more efficient management capabilities, mainly in the MOH. Emphasis will continue to be on improving services and units that directly benefit poor families, and activities during this strategy period will increasingly concentrate on the "economic corridors" where other USAID SOs are active. Approaches will include improving MOH management systems such as personnel, statistics, financial management, planning, and logistics; upgrading the quality of medical professionals by improving medical school instruction; training nurses, midwives and other frontline health workers; improving facilities and services through new accreditation and certification mechanisms; enhancing male involvement in reproductive health; strengthening supervision of MOH services; and promoting decentralized and community-based participation in and control of health services (the "CLAS" model).

USAID will continue to support monitoring and technical assistance to protect the human and reproductive rights of Peruvian clients of the national health system. The program will continue to provide Population Account funds to the Peruvian Human Rights Ombudsman to investigate conditions and actions that may violate the human rights of family planning clients, including compliance with the Tiahrt Amendment. We will also support surveys of clients and providers, and provide intensified monitoring of field services by USAID staff. The Mission will report periodically to USAID/Washington on the findings of these monitoring activities and on actions taken to correct any problems and abuses that may be discovered.

### **IR 3.2 People Practicing Healthy Behaviors**

Two lower level intermediate results will contribute to accomplishment of IR 3.2. The first is that people have improved knowledge. This intermediate result reflects the value USAID places on informed choice in the health and population sectors. While it is possible to produce health behavior change using coercion (e.g. laws) or manipulation (e.g. incentives), USAID/Peru is convinced that information-driven voluntary behavior change is better for both ethical and practical reasons. Ethically, citizens in democratic societies have the right to be empowered by information and to make their own choices about what is in their best interest. Practically, voluntary decisions made by well-informed clients result in more permanent and sustainable behavior change because people believe in what they are doing. Under this IR, activities will be

designed to provide health-related information to “Peruvians at high risk,” empowering them to choose healthier behaviors and reduce their health risks.

The other necessary condition for accomplishing IR 3.2 is community structures in place to facilitate healthy behaviors. Positive individual behavior changes occasionally take place in isolation. More often, however, some kind of community institutional structure is needed to provide social support, legitimacy, collective action, and/or resources that enable individuals to take actions to improve their health. Examples of such community institutions that have worked in Peru include: (1) local NGOs that operate health education activities or offer health services, as in the ALCANCE project; (2) health committees that administer government-financed health services, as in the MOH’s “CLAS” model; (3) municipal governments that organize community-level improvements in local health conditions, as in water projects; and (4) informal grassroots organizations and women’s organizations that do outreach work in communities, such as ReproSalud’s women’s groups. To accomplish this IR, USAID will program resources to the extent possible through community-based and decentralized organizations and units. Particular emphasis will be placed on supporting greater democratization of MOH service delivery units, in coordination with other activities working with the MOH such as Project 2000 and Coverage with Quality, by making them more responsive to clients’ preferences and by giving communities greater participation and control in running them.

#### Illustrative Activities

Activities to accomplish this IR will include information, education, and communication to give Peruvians the knowledge and skills needed to avoid high risk behaviors and to lead healthy, productive lives. The IR emphasizes preventive approaches to improving health, in contrast to traditional curative health interventions. Considerable attention will be paid to improving the health knowledge, attitudes, and practices of young Peruvians before they fall into practicing high risk behaviors. Activities will draw from different information approaches, including commercial marketing, formal schooling, community outreach and extension, and “bottom-up” grassroots initiatives. An effort will be made to maximize use of new techniques that activate interpersonal, peer, and community networks to increase behavior change. Emphasis will be placed on changing community behaviors as well as individual behaviors. Interventions will not necessarily use established formulas or models of communication and change. Instead, interventions will be based on successful experiences in other comparable circumstances (identified using a “south-south” networking approach), and will be adapted to specific risk behaviors, diseases, and target groups.

To implement this IR, USAID will strengthen and energize Peruvian institutional capabilities that exist in the communication/behavior change area. Local universities, commercial marketing organizations, and some NGOs have expertise and interest. If SO3 is able to create a “Center of Excellence” of Peruvian organizations with advanced communication/behavior change capabilities, it is hoped that other USAID Strategic Objective programs will join in this activity and make use of the capability.

An example of how activities under IR 3.2 will take place is HIV/AIDS prevention. Peru’s current strong HIV/AIDS prevention program will be expanded on a number of fronts. First, for current HIV/AIDS sufferers and the population of transexuals and commercial sex workers who are most imminently and directly at risk, strong and explicit information (IR 2.1) about the risks and about prevention will be provided through a program of peer counselors supported by NGOs and by the MOH. At the same time, nontraditional mobile clinics and commercial outlets (IR 2.2) will increasingly be utilized to provide information and condoms to individuals at high risk wherever they congregate. For young Peruvians who will face exposure to HIV/AIDS in the future, improved educational materials and instructional modules may be provided through the

Ministry of Education in public schools. Furthermore, popular culture media outlets targeted at adolescents and young adults will be helped to develop messages about HIV/AIDS prevention, packaged along with commercial programming and advertising. New strategies will be devised that use interpersonal communication networks to disseminate prevention messages along with the social reinforcement needed to change young people's behaviors.

### **IR 3.3: Health Sector Policies and Programs More Responsive to Health Needs**

Until the recent unexpected announcement of new elections and a political transition in 2001, USAID/Peru had assumed that there would be continuity in the health policy arena through 2005. The new developments present an important opportunity to support deliberations about policy options with a new GOP administration. IR 3.3 will develop a flexible mechanism to support policy analyses and dialogue that will seize this unexpected and unique opportunity. In conjunction with other donors and USAID/Washington health and population policy projects, USAID will support objective, data-based policy decision-making. Activities will also support experimentation with innovative alternatives to old, inefficient approaches to delivering, financing, and managing health services. To accomplish IR 3.3, three lower-level intermediate results are proposed.

The first intermediate result supporting IR 3.3 is systems strengthened to improve decision-making. This intermediate result will deal with systems such as financial management and human resources management to make them more responsive to the needs of decision-makers. These can include systems of the MOH both at the central and decentralized levels as well as systems the government may establish outside the MOH to manage and track financial transfers and to oversee health insurers, both public and private.

The second intermediate result is policies and programs are information-based. This intermediate result will support improvement of the research capacity of the MOH. The Ministry's capacity to perform epidemiological research, targeted biomedical research, disease surveillance, and applied operations research has improved with USAID support, but additional support is needed to sustain ongoing critical research activities and to further institutionalize the research capabilities that the Ministry needs. The IR will support the kind of research that directly informs the formulation of policy and program priorities in the MOH.

Finally, and of crucial long-term importance to the SO3 strategy, policies and programs support sustainability. The MOH needs to confront long-term policy choices about the financing of health care in Peru. Competing insurance schemes, public and private providers, political commitments, fee schemes, subsidies, and donor programs have created a confusing panorama of policy options. Under IR 3.3, USAID will work with the GOP and its civil society partners in analysis and examination of options and, hopefully, in the development of policies that will help rationalize health financing, expenditures, and subsidies. The long term objective is to help the MOH develop sustainable services that can meet the needs of Peruvians at high risk without depending on outside donor resources.

#### **Illustrative Activities**

During the 2001-2002 political transition period in Peru, USAID will maintain a flexible mechanism that will permit us to respond quickly to opportunities to provide inputs into the policy deliberations that may be taking place in the new government. USAID/Peru will provide "Field Support" funding to Washington-managed health policy projects that can provide quick turn-around advisory services of different kinds. If deliberations of new policymakers show signs of moving in positive directions, USAID will be prepared to support studies, workshops, international experts, and study tours to support decision-making.

IR 3.3 activities will strengthen and support a local organization or consortium to perform health policy research and advocacy. Among the organization's functions will be: (a) develop, disseminate and discuss with the government proposals for organization and financing of the health sector; (b) educate the public about health rights and mobilize popular support and participation; (c) analyze and disseminate analysis of government health policies; and (d) provide a forum for dialogue between the government and other stakeholders for policymaking. Another possible role would be to compile, publish, disseminate results of studies, tools and proposals developed by donor projects over the past five years.

IR 3.3 activities will also work in partnership with multilateral donors as they negotiate and implement major sector reform loans. USAID interventions could include: (a) participating in the formulation of policy reforms and conditions to be implemented with the help of loans; and (b) providing technical assistance to help implement policy reforms that will be leveraged by loans provided by the multilateral donors.

IR 3.3 activities will also provide health sector managers at national and local levels with materials, analytical tools, training, and technical assistance for using information for policy-level decision-making. Among the kinds of policy outcomes that the Mission would like to help achieve are the following:

#### **Health system financing:**

- MOH has effective mechanisms to target public spending on health to cost-effective services for the poor.
- MOH cost recovery mechanisms allow it to capture revenues from the non-poor.
- Contributions of the non-poor are used to cross-subsidize services for the poor.
- Public resource allocations are based on explicit performance targets.
- Resource allocation mechanisms follow users rather than providers to the extent possible.
- Provider payment mechanisms stimulate improved performance in public and private facilities.

#### **Health system organization:**

- MOH has clear mandate to oversee entire health sector (social security, private commercial providers, private NGOs, private insurers).
- Health sector has capacity to regulate and ensure quality of health inputs (personnel, drugs, equipment), providers (public and private clinics, hospitals, individual practitioners) and insurers.
- Health sector has policies and mechanisms to strengthen citizen participation in the management of local health services.
- MOH has human resource policies that ensure quality, motivation, and good match between supply and demand in terms of quantity and professional skills mix.
- Local health system management includes mechanisms for active participation by local government, community members.
- Public insurance mechanisms are consolidated (ESSALUD, SMI, SE). All formal and informal sector workers and family members, poor mothers and children and school-aged children under one system. System has plan with action steps for achieving eventual universal coverage.
- Public hospitals have autonomy to make internal management decisions.
- Health sector planning mechanism in place that regulates rational supply of health services.

## D. Proposed Performance Measurement

In addition to reporting traditional quantitative indicators, SO3 will create indices based on the Lapham-Mauldin Program Effort Scale to measure progress toward the achievement of the SO. These indices will draw on current best practices in monitoring and evaluation, and will incorporate lessons learned from other USAID countries. With these indices to better measure health behaviors, knowledge, policies, and outcomes, SO3 will be better able to track progress toward the attainment of the SO and to use the information generated to inform its own decision-making. One subset of the Lapham-Mauldin scale deals with the policy environment. This subset will be expanded to create a Health Sector Policy Environment Scale for Peru. The Scale will provide a numerical representation of a qualitative assessment of the policy environment performed annually by a panel of expert observers. Other SOs with policy-related intermediate objectives will be invited to work with SO3 on the development and implementation of a qualitative policy environment assessment methodology.

In cooperation with the Global Bureau's "Measure" project, SO3 plans to begin supporting annual partial DHS surveys, permitting more accurate annual R4 reporting and better program monitoring. Annual DHS indicators will provide SO3 with information in a more timely basis, and will lead to increased responsiveness and to improved ability to modify programming to respond to changing circumstances and priorities.

The indicators listed below are illustrative, and will be refined and modified as the design process continues. Baselines and targets will be refined once DHS 2000 data is released.

Illustrative Performance Measures	Illustrative Targets
<b>SO3: Improved Health for Peruvians at High Risk</b>	
1. Infant Mortality (IMR)	<b>Baseline</b> (2000): 39/1000, Source: MINSA/ INEI <b>Target</b> (2006): 34/1000
2. Unmet need for Family Planning	<b>Baseline</b> (2000): TBD, Source: INEI <b>Target</b> (2006): TBD
3. Births Attended by Trained Personnel	<b>Baseline</b> (1996): 56.4, Source: ENDES III <b>Target</b> (2006): 63.0
4. HIV/AIDS Prevalence in Sentinel Sites	<b>Baseline</b> (1999): 0.14-0.48, Source: MINSA/ PROCETSS <b>Target</b> (2006): 0.14-0.30
<b>IR 3.1: Quality Services Accessible and Utilized</b>	
1. Percentage of Health Facilities with Quality Certification	<b>Baseline:</b> TBD <b>Target:</b> TBD
2. Percentage of Total Births Occurring in Health Facilities	<b>Baseline</b> (1996): 49.6% , Source: ENDES III <b>Target</b> (2006): 60.0%
<b>IR 3.2: People Practicing Healthy Behavior</b>	
1. Health Behavior Index Score	<b>Baseline:</b> TBD <b>Target:</b> TBD
<b>IR 3.3: Health Sector Programs and Policies More Responsive to Health Care Needs</b>	
1. Percentage of MOH Budget for Primary Health*	<b>Baseline</b> (1998): 25%, Source: MINSA/CNS <b>Target</b> (2006): 30%

NOTE: TBD: To be determined

\* Due to fiscal constraints, this target may be revised

## E. Critical Assumptions

Additional assumptions for accomplishment of the Strategic Objective include: (1) continued GOP priority on public health and reproductive health for all Peruvians; (2) access to new non-traditional health partners such as the Ministry of Education and the commercial private sector; (3) donors and GOP will continue expanding and improving health infrastructure; and (4) economic growth will continue or accelerate. Of course, given the recent changes in the GOP,



there is a level of uncertainty which is unavoidable and which will weigh on all programmatic decisions taken by USAID management and SO teams.

## **F. Program Synergies**

Many of SO3's activities will be concentrated in geographic areas and communities where other USAID SOs are active, including the "economic corridors" of SO2 and the coca-growing zones of SpO5. In this way, SO3 will concentrate resources on meeting the needs of target groups of other USAID activities in a way that will complement the work of other SOs and help produce cross-cutting synergies.

In support of SO1, democracy and governance will be promoted under SO3 in a number of ways. Empowerment of citizens is supported by SO3's IR 3.2 -- "People practicing healthy behaviors" -- particularly with respect to community action. Under IR 3.1 -- "Quality services accessible and utilized" -- human rights monitoring and reporting will be supported. Finally, accountability, transparency, civil society participation, and decentralization are found under IR 3.3 -- "Health sector policies and programs more responsive to health needs." SO3 will continue to work jointly with SO1 in the area of protecting clients' rights. SO3 will jointly fund the Human Rights Ombudsman with SO1 to assure monitoring of the reproductive rights of Peruvian women and in reporting to Washington on Tiahrt Amendment findings. Joint informational and educational interventions will be carried out to better inform the clients, particularly women, of their rights.

With SO2, SO3 will create a task force to coordinate USAID health sector support more closely with USAID poverty alleviation activities. Special attention will be given to working together on nutrition activities associated with SO2's food security program. SO3 will support the provision of food by providing nutrition education activities under its IR 3.2. SO3 will also provide technical guidance and participate in the evaluation and monitoring of nutritional status and the impact of P.L. 480 food activities.

SO3 is working with SO4 to support SO4's environmental health activity. An important overlap with SO4 will be in the area of information, education, communication, and behavior change. The two SOs may join forces in some joint school-based and mass media activities to provide information to the Peruvian public about environmental health issues. Finally, SO3 will work with SO4 in the area of water and sanitation.

SO3 will join forces with SpO5 in reinforcing health activities that are being undertaken under USAID's Alternative Development program. SO3 will concentrate activities under IR 3.1 and IR 3.2 in areas such as the Huallaga River Valley, joining forces in order to both improve health and reduce the production of coca. Similarly, SO3 will work with SpO7 in its efforts to improve access to quality health services for border populations. SpO7 will take special advantage of SO3 experience in community efforts to address health issues, especially emerging diseases, which are endemic in border areas.

Finally, SO3 will coordinate its health education activities in schools with SpO6's girls' education activities. The SO3 team will work in partnership with the SpO6 team and the Ministry of Education, developing health-oriented curriculum approaches, instructional materials, and teacher support that will directly complement the Mission's girls' education objective.

## **G. Contribution to Conflict Prevention**

Factors related to an increased risk of conflict include the perception by people of social marginalization in general, of self-deprivation and/or of inequalities in relation to the access to

health services and to health itself, and weak social institutions. The Mission, in order to improve the well-being of high-risk populations, gives emphasis to institutional strengthening and to the promotion of human rights, including reproductive health.

Improved health contributes to increased resilience of the population to confront social stress factors, and makes them less prone to follow violent leaders or movements, or to migrate under undesirable conditions. Health improves the human capital of the country for social development as well as the potential for individual realization.

An example of the above is ReproSalud, an innovative program which addresses underserved low-income women's health concerns and teaches them to be more informed and assertive consumers of health and family planning services. ReproSalud has an important role to play in changing the attitudes and behaviors of Peruvians with regard to violence and conflict. Through groundbreaking workshops male participants have reevaluated how they view women, and how they view violence within the family unit. By working with the root causes of family conflict and gender-based violence, such as power imbalance, *machismo*, alcohol abuse, and lack of empowerment for women, ReproSalud has laid the groundwork to facilitate a lasting change in the behaviors of its participants. By empowering women to speak out and demand fair treatment, ReproSalud has fundamentally altered the marriage dynamic in the areas in which it has worked, and it is reasonable to assume that this will have a dramatic impact in lowering gender-based violence.

In addition, several other activities have been undertaken which also contain a component focusing on violence and conflict prevention. Max Salud clinicians coordinate activities closely with clinic social workers, who often deal with family and gender-based violence. The CEDRO project for street children serves youth who are at high risk of violence and substance abuse. CEDRO works to stop the cycle of violence and conflict by providing a stable environment and opportunities for schooling and technical training. Future SO3 activities will seek to further incorporate conflict prevention and to build on the successes already enjoyed in this area by ReproSalud and other health, population and nutrition activities.

## **H. Commitment and Capacity of Other Development Partners**

**GOP Partners.** Leaders of the Peruvian health sector were recently convened by the MOH to debate national health sector priorities and to reach a high level consensus on priority health problems. The MOH's list of health problems facing Peru, in order of priority, is the following: (1) maternal and perinatal care; (2) immuno-preventable diseases; (3) respiratory infections; (4) sexual and reproductive health; (5) diseases transmitted by water and air; (6) malnutrition; (7) tuberculosis; (8) dental hygiene; (9) vector-transmitted diseases and rabies; (10) HIV/AIDS; (11) accidents; and (12) mental health. With a few exceptions (8, 11, and 12), these priorities coincide with USAID's strategic priorities.

**Other Donors and NGO Partners.** Over the last year, USAID has entered into a closer working relationship with other donors working in the health sector, including UNICEF, PAHO, the World Bank, the IDB, and bilateral donors. Activities under the strategy will be designed to work jointly with other donors' projects. USAID is presently the largest donor, providing 40% of total identified external assistance, which amounts to \$1.8 billion for the period 1994-2005<sup>2</sup>. Loans from the IDB and the World Bank currently represent 11% and 9%, respectively. Major new health sector loans from both banks were scheduled for 2000, but have been held up. At this time, given the uncertainty regarding future directions and priorities of the GOP, it is impossible to predict what levels of support may be expected from other multilateral and

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<sup>2</sup> Virginia Baffigio, *Inversiones en salud, población y nutrición en el Perú 1994-2005*. Enero 2000

bilateral donors. As soon as this information becomes available, SO3 will assess its interventions accordingly to ensure maximum coordination with other development actors and the GOP.

## **I. Customers**

To develop this strategic framework, the Mission used a participatory approach that depended principally on local talent. All of the analysis and deliberations were undertaken by team members and by partners who have been closely involved in ongoing health sector activities on a permanent basis. A series of retreats was organized with partners representing the MOH, the private NGO sector, and contractors and USAID cooperating agencies. To broaden the coverage of inquiries, the Mission also sent out a written survey concerning health sector priorities and views of ongoing and proposed programs.

Customers were also included in the design process from the start. This was accomplished by a series of interviews and focus group sessions soliciting input, as well as by anecdotal reports and continuous field site visits to solicit the opinions of those Peruvians most impacted by USAID's activities. USAID's DHS is a major source of information about the health practices, needs, perceptions, and desires of the population of Peruvian women of reproductive age.

As many of the proposed activities will focus on women and children, special attention is being paid to equitable distribution of program benefits. Activities will apply gender and equity criteria, and will increase male involvement in family health, family planning, and nutrition. Achievement of these results will be ascertained through the collection and analysis of gender-disaggregated data. Activities will support increased informed choices for women in reproductive health and will benefit from increased synergy and integration between population and health and with other Mission SOs.

## **J. Sustainability**

"Social sustainability" will be enhanced by activities designed to make Peruvians better-informed consumers of health services and more active agents in protecting their own health. IR 3.1, in particular, will make Peruvians more aware of the health risks to which they are exposed and able to practice behaviors and lifestyles that reduce or eliminate health risks.

"Institutional sustainability" is a central objective of IR 3.2 and IR 3.3. Improving the managerial capacity of the MOH and the decentralization of services and decision-making should contribute to more efficient administrative and support services and better utilization of resources. Reduction in the central MOH bureaucracy and moving management closer to clients should make the Ministry more resistant to corruption, more accountable to its customers, and less susceptible to political whims than it is now.

"Financial sustainability" of USAID-supported services and organizations will be improved in a number of ways under the 2002-2006 strategy. MOH services become financially sustainable when their costs are assumed by GOP funds. The long-term financial security of USAID-assisted services is improved to the extent that they are efficient and affordable to the GOP. Over the years, the GOP has shown willingness to assume operational costs of donor-launched initiatives such as the national child survival program and family planning. In the future, MOH services and units will not receive USAID support unless there is a plan in the formal agreement for the MOH to assume operating costs at the appropriate time. Also, USAID will work with the MOH at the policy level on health care financing reforms designed to make the whole MOH system more sustainable. At the same time, USAID will complete NGO activities that are currently active from the USAID portfolio, leaving them financially independent of USAID.

Nevertheless, USAID will continue working with NGOs in the areas of policy dialogue, advocacy and women's health issues.

USAID's goal is to achieve sustainability of the health and population activities it supports. USAID's two decades of support for health and population activities have set the stage for services that will be able to function without outside USAID assistance in the future. At the end of the strategy period 2002-2006, USAID will carry out an assessment of the sector and will decide whether conditions are right for a final "sustainability" strategy. Ultimate phase-out of USAID support will depend on a number of factors, including: (1) the quality of health and population services; (2) provision of adequate GOP resources to sustain improved services on a permanent basis; (3) policy reforms by the GOP enabling health services to recover costs and target subsidies efficiently; and (4) the status of critical health problems such as infectious diseases and HIV/AIDS. The final "sustainability" strategy will be expressed in terms of a series of conditions that need to be met to enable USAID to reduce and eventually phase out its support, not in terms of an arbitrary date.

#### **Strategic Objective # 4: Strengthened Environmental Management to Address Priority Problems**

In 1995, the Mission initiated an environmental program designed to achieve its Strategic Objective # 4 (SO4), "Improved Environmental Management in Targeted Sectors." Now in its fifth year, accomplishments to date of the current strategy are impressive.

SO4 has played a catalytic role in achieving improved planning and enhanced operational and coordination capabilities within national-level public and private sector environmental and natural resources (ENR) management institutions. Resulting leadership improvements, as well as improved managerial and technical know-how, have stimulated the adoption of an impressive array of new ENR laws, regulations, and procedures. These have improved the institutional and policy frameworks, thereby facilitating ENR management.

##### **Higher Economic Returns due to Application of New Environmental Legislation**

Appropriate legislation, along with complementary information, training, and technical assistance, plays a key role in fostering improved environmental management of natural resources and industrial processes. For the first time ever, the Peruvian Ministries of Industry and Fisheries have issued Environmental Protection Framework Regulations developed with SO4-funded assistance and support for process/plant audits, technology transfer, training and information activities. The legal regulations promote cleaner production processes and pollution prevention (CP/P2) to increase plant efficiency and overall economic returns. Prior to this legislation, CP/P2 was scarcely known locally. Today, 80 industrial plants have successfully applied CP/P2 practices with differing degrees of positive results, including 22 plants that have reported an average of 20% reduction in pollution and/or water and energy consumption (ranges from 10% in beer and malt plants to 70% in paper/pulp plants), increasing their economic returns due to production efficiencies. To illustrate these economic returns, we have considered a typical Peruvian fishmeal plant that processes 200,000 tons of fish annually. This plant operates with a pumped water/fish ratio of 2 to 1 and produces 400,000 m<sup>3</sup> of effluent composed of 1.5% fishmeal protein and 0.4% oil, equivalent to 6,000 tons and 1,600 tons, respectively. The annual market values of these economic losses total US\$1,980,000 for fishmeal and US\$240,000 for oil. With the application of SO-tested CP/P2 practices, the water/fish ratio and effluent were significantly reduced, decreasing the economic losses by an estimated market value of \$444,000 per year. Nationwide, these savings could yield an aggregate US\$15.6 million per year.

For example, SO4 helped the National Environmental Council (CONAM) to establish a strong coordination role among various ministries and decentralize its functions through the creation of nine regional environmental committees, and assisted in strengthening the Environmental Offices of the Ministries of Industries and Fisheries. Moreover, SO-funded technical assistance contributed to the formulation and approval of a new Organic Law for the Sustainable Use of Natural Resources. This law establishes criteria that, for the first time in Peru's history, set compensation requirements for publicly-owned natural resources extracted by mining and fishing companies. Similarly, USAID has been directly involved with other donors and the National Institute for Natural Resources (INRENA) in processes that led to the approval of new laws and procedures for biological diversity conservation and forest management, including a natural

protected areas law, a national strategy for the management of natural protected areas, and a new forestry law. As a result, since 1996, Peru has increased the area of tropical forests under protection by more than 10 million hectares, and sustainable management plans for all new timber extraction concessions are now mandatory.

USAID's new Strategic Plan (2002-2006) builds on progress achieved and lessons learned in the May 2000 evaluation of SO4. It also incorporates the views of current partners as expressed during and after the evaluation. Finally, the revised strategy responds to the views of customers in the annual environment and natural resources surveys.

The proposed Strategic Objective #4 (SO4) also contributes directly to the **USAID/Peru Mission Goal of promoting the expansion of sustainable opportunities for improved quality of life through democratic processes and institutions.** Community participation in

decision-making, support for accountable, transparent governance and for Peruvian partners wishing to undertake peaceful advocacy for environmental policy reform – all elements of democratic processes – are integral elements of the SO4 strategy. Other sections of this document describe the importance of local participation at all stages of the environmental policy and management process, and the measures to be undertaken to strengthen this element of the program. Accountability and transparency will be furthered by informing the policy dialogue process with analytical work germane to the environmental issue(s) at hand, and assuring that the participants in the dialogue process have full and timely access to the analytical findings. Dissemination of information and lessons learned will also further the efforts of partners wishing to advocate for policy reform, as will grants for strengthening of local institutions.

## A Linkages to USG, Summit of the Americas, Agency and Host Country Goals

<b>USG National Interests / Strategic Goals</b>	GLOBAL ISSUES/ENVIRONMENT Secure a sustainable global environment, and protect the U.S. and its citizens from the effects of international environmental degradation.
<b>Summit of the Americas</b>	GUARANTEEING SUSTAINABLE DEVELOPMENT AND CONSERVING OUR NATURAL ENVIRONMENT FOR FUTURE GENERATIONS Partnership for sustainable energy use. Partnership for biodiversity. Partnership for pollution prevention.
<b>Peru Mission Performance Plan (MPP)</b>	Promote sound environmental management policies and sustainable use of natural resources.
<b>Government of Peru</b>	Establishment of strong environmental management. Legislation on the use of natural resources and adoption of participatory management for protected areas. Promotion of clean technologies and pollution prevention practices. Establishment of environmental arbitration procedures. Environment subjects in school and university curricula.
<b>Agency Framework – Primary Link</b>	GOAL 5: THE WORLD'S ENVIRONMENT PROTECTED FOR LONG-TERM SUSTAINABILITY 5.5 Sustainable management of natural resources increased.
<b>Agency Framework – Secondary Links</b>	5.1 Threat of global climate change reduced. 5.2 Biological diversity conserved. 5.3 Sustainable urbanization including pollution management promoted.

## B. Development Challenge

Since the early 1990's, Peru has made significant progress in development of a national environmental policy and institutional framework. New laws and other procedures for virtually every sector are now in place. The capacity of public and private organizations (principally NGOs) has been strengthened. There is increased awareness of, interest in and concern about environmental issues in the private sector, universities and the public at large.

Despite this progress, remediation of environmental issues that limit Peru's long-term development prospects and contribute to global threats (primarily species loss and global climate change) continues to be constrained by failure to comprehensively address the underlying causes of these issues, namely:

- *Population pressure on natural resources and public services* – population growth and density put pressure on limited capacity to provide such services as water delivery, sewage and solid waste management in overcrowded urban areas; and in rural areas population pressure on limited arable land contributes to deforestation;
- *Poverty* – which forces people to take a short term perspective, frequently resulting in the mining of natural resources and the use of the environment in unsustainable ways;

- Continued deficiencies in *awareness of environmental problems and production technologies* and *consumption patterns* that are more environmentally friendly;
- *Inappropriate incentive structures* – such as failure to fully price resources and disposal in environmental media of industrial, transport and domestic wastes; and
- *Weaknesses in the elements of environmental management and a lack of interaction among these elements*, as discussed more fully later in this section.

There is also considerable potential for conflict over natural resource access and use in Peru. In rural areas violence can be triggered by government issuance of new timber, oil, gas, mining or tourism concessions, particularly if perceived to be done in an arbitrary way without the participation of the affected local communities and institutions. Such unilateral action occurs all too often, reflecting the tendency to centralize planning and decision-making, thus excluding local communities and institutions from the policy process. The tendency to exclude broad participation in policy processes is facilitated by outdated and inappropriate laws, regulations, and policies regarding access to land, water, and forest resources, the effect of which is to favor elites and those having close connections to the government, while denying access to local natural resource users.

An evaluation of SO4 carried out in early 2000 found that much has been achieved since 1996 and recommended continuation of the SO with increased emphasis in several areas. The evaluators found that public understanding and concern about environmental issues is on the increase; notable progress has been made in developing policy, institutional and regulatory frameworks for addressing environmental problems; site level support for management of protected areas and fragile ecosystems has achieved notable success in terms of putting in place well-conceived systems for encouraging local level participation.

At the same time, much remains to be done. In particular, remaining deficiencies in the national level policy, legal and regulatory framework for addressing important environmental problems need to be addressed, and while there is growing awareness and concern about environmental problems compared to 1996, it is less clear that “effective demand” (i.e., demand that is articulated, stimulating successful advocacy for environmental quality improvements) has kept pace. The evaluation noted that a weak element in a comprehensive system for environmental management exists at the local level, involving both the public and private sectors. Continued centralization of decision-making and control of public financial resources has constrained development of local government. At the same time, most local private sector entities lack a strong strategic focus and generally have inadequate administrative and financial systems. Since implementation of environmental policy takes place at the local level, these represent critical weaknesses that must be addressed. Local awareness must be increased, and local capacity to participate constructively in dialogue at all stages of the policy process and to be fully involved in environmental policy applications must be enhanced if critical environmental issues are to be addressed in a fashion that is consistent with economic and social development.

## **C. Results Framework**

### **Strategic Objective Rationale**

Based on experience and lessons learned to date, the current SO4 statement, “Improved Environmental Management of Targeted Sectors” has been revised to “Strengthened Environmental Management to Address Priority Problems”. This revised SO improves on its predecessor in three important respects. First, it explicitly acknowledges that since environmental problems and threats are inherently complex, sound environmental management requires not only a comprehensive interactive institutional and policy framework, but also an

integrated and systematic operational approach. Second, it recognizes that, given the diversity, pervasiveness and complexity of environmental issues inherent financial and institutional capacity constraints require prioritization. Third, most environmental problems, even those that usually are viewed as uniquely “brown” or “green”, transcend traditional sectors; thus sound management requires an integrated problem-based approach instead of a sector-based approach. To illustrate, deforestation results from cross-sector and multi-sector influences, such as population pressures, rural poverty, and poorly conceived incentive arrangements affecting agriculture, livestock husbandry, forestry and mining. Similarly, the effects of deforestation go beyond forest boundaries, affecting water quality and availability for a multiplicity of downstream uses, as well as other aspects of rural, urban and global environments.

Lessons learned from around the world and reinforced during SO4 program implementation show that three major elements must be in place and must interact to achieve sound environmental management:

- a well-conceived and sufficiently comprehensive legal, regulatory and procedural policy framework for prioritizing and addressing environmental problems and threats;
- well-defined institutional arrangements that provide clear definitions of roles, authorities and responsibilities to prioritize and deal comprehensively and complementarily with environmental problems and threats; and
- an informed and concerned citizenry with access to mechanisms that permit expression of effective demand for appropriate and adequate public and civic sector attention to sound management of environmental problems and threats.

These three major elements are necessary conditions to sound environmental management; they are not sufficient conditions to assure it. Rather, having these three elements in place establishes a framework to systematically build and apply a capacity for comprehensive and effective environmental management. Effective environmental management must include at least the capability to:

- diagnose and analyze environmental problems and threats at various levels of disaggregation from national to local levels, i.e., identify and interpret origins and underlying causes; assess severity in terms of impacts on people and ecosystems as an aid to prioritization; and assess viability of program and policy application options for addressing prioritized problems and threats in terms of economic, institutional, cultural and environmental viability;
- mobilize and cost-effectively assign and utilize financial and human resources to design and implement responsive programs and policies;
- collaborate and participate systematically in policy and program design and implementation in order to comprehensively address priority problems and threats, and to stimulate systematic and constructive stakeholder participation in that process; and generate, receive and apply feedback from policy application experiences to policy-making authorities to assure a systematic and continuing flow of information that enriches the ongoing policy and management improvement process.

With SO4 and other donor assistance, Peru now has a good start on putting in place the three major elements of the environmental management framework and structure, and has made some progress in building the required capability within that framework and structure. Broadly speaking, a legal, policy and regulatory framework for addressing environmental issues is in place. CONAM and INRENA, the two core public sector environmental institutions, have each been mandated to address particular environmental issues. However, they require financial resources and technical support, and need to better understand the necessity of engaging a

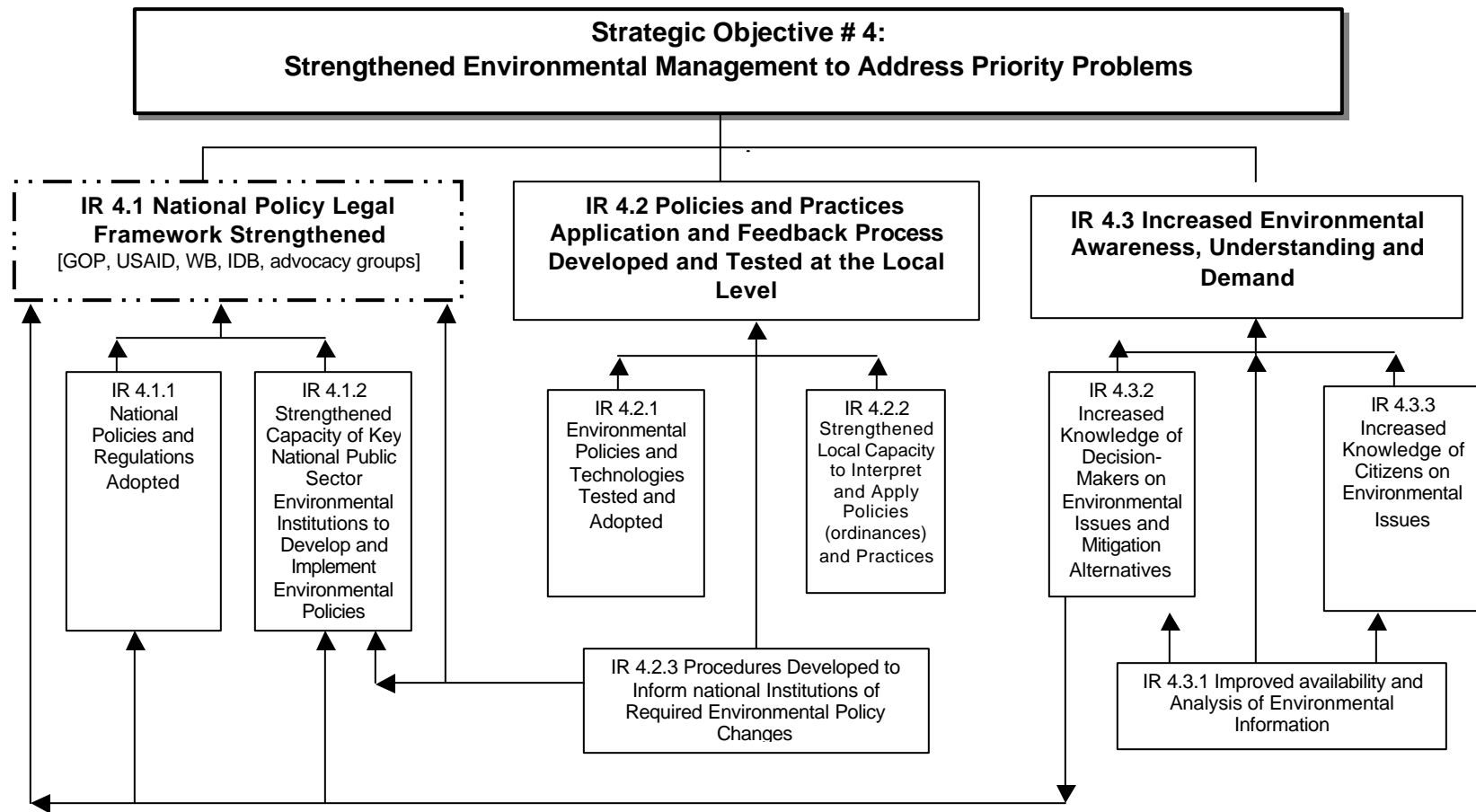


broader array of interested agencies and stakeholders as active partners, including local governments and institutions. Also, a working consensus to address high priority environmental issues is still being developed, thus hampering the development of tools and processes to address them. Lastly, environmental management requires an informed and responsible citizenry that not only demands a clean environment but that is willing to accommodate changed practices to secure it.

Consistent with evaluation findings, the revised SO will support host country efforts to strengthen the means for identifying and addressing priority environmental and natural resource problems. If environmental management can be strengthened, in particular the weak links of local policies, feedback mechanisms and effective demand, then Peru will be in a position to address and resolve most environmental issues. To accomplish this, a mix of technical assistance, institutional strengthening support, and grant assistance will be provided to: (1) close remaining priority deficiencies in the national level policy and institutional framework; (2) further develop and test at the field level an environmental management structure that is able to deal effectively with most of the important problems Peru confronts, and (3) increase capacities and raise awareness of environmental issues and effective demand for their remediation. The intended results of these interventions are: 1) proven environmental management that is comprehensive and flexible enough to accommodate priority environmental problems, and 2) capacity and effective demand for their resolution.

While this revised SO is not a major departure from the current strategy, it does represent a deepening of USAID assistance in two important areas. First, the revised strategy will explicitly use field-based work, in particular community-based natural resource management (CBNRM), to foster successful environmental management. CBNRM brings local institutions and stakeholders into the dialogue process at the stage of program diagnosis, policy and program design, implementation and evaluation. In CBNRM, local level institutions must be equal partners in the decision-making process to assure that culture and local knowledge are well understood and used appropriately, to “ground truth” program and policy designs, to monitor intended and unintended impacts during implementation and to secure a sense of ownership of all processes and results. In addition, CBNRM fosters the transparency, participation and sense of shared responsibility that are such important precursors to the strengthening of civil society. The second area is a commitment to focus on key decision-makers but to involve all segments of society in an expanded effort to foster effective demand for environmental management.

**Figure 5: SO4 Results Framework**



LEGEND:

Results for which USAID is materially responsible

Results which USAID contributes to but is not solely responsible for

**Critical Assumptions:**

1. Central policy institutions and local organizations work collaboratively
2. Awareness will foster effective demand
3. Enough non-USAID resources to implement policies and replicate practices

## **Intermediate Results**

### **IR 4.1 National Policy Legal Framework Strengthened**

Many aspects of the national environmental policy, regulatory and institutional framework were put in place during the 1995 – 2000 timeframe by Peru with assistance from USAID and other donors. But deficiencies in both policies and the capabilities of institutions remain. While a policy deficiencies analysis is indicated at an early stage, preliminarily major deficiencies include:

- Policies and authorities necessary to set standards, promote pollution prevention in industry, and create incentives (including market demand) for improving industrial environmental performance;
- Legislation, regulations and incentives to assure that natural resources are fully costed, and therefore efficiently used;
- Strengthened regulations regarding public access to environmental information, legislation and strengthened regulations to better define and strengthen judicial mechanisms for environmental management (e.g., imposing and enforcing penalties, issuing injunctions, and establishing rules governing mediation and arbitration of disputes over practices that affect the environment); and
- New legislation, regulations, and policies regarding access to land, water, and forest resources.

An analysis of institutional needs of environmental management will also be completed as soon as possible. However, under the revised strategy, work with the core, national level public sector environmental institutions will continue. It is expected that CONAM will continue to take the lead in working across sectors. CONAM and selected ministries, particularly the Ministry of Industry (MITINCI) and the Ministry of Fisheries (MIPE), require continued short-term technical assistance to strengthen policy and regulatory regimes and institutional capabilities, and to address implementation issues. MITINCI's policy role, particularly in clean production, will be enhanced through participation in SO Activities. Other partners will include NGOs that have the standing and capacity to continue to play an important role in providing legal advice and assistance on environmental legislation to the Congress of Peru and to public sector environmental institutions. Policy assistance to INRENA will focus on sustainable forest management through regulations and other requirements of the recently approved Forest Law and policies related to improved management of protected areas and buffer zones, including ecological economic zoning and the development of master plans for protected areas. The SO will assist the Ministry of Health (especially the General Directorate of Environmental Health, or DIGESA) to strengthen its capacity in policy formulation through ongoing and future activities.

Ministries that were not previously involved in SO4 sponsored work (e.g., Ministries of Agriculture (MINAG), Energy and Mines (MEM), and Economy and Finance (MEF),) may need to be engaged to achieve the objective of effective environmental management capable of dealing with high priority problems. Most environmental management institutions also require training and technical assistance to raise awareness about environmental issues and tools for addressing them, to define/clarify their roles in relation to each other, as well as regional and local institutions and stakeholders, and to strengthen technical capacities.

### **IR 4.2 Policies and Practices Application and Feedback Developed and Tested at the Local Level**

An important shortcoming of environmental management in Peru is the lack of experience in actually applying environmental policies and practices at the local level to see whether they are appropriate under local conditions and accomplish their objectives in a cost-effective way.

Consistent with a principal conclusion of the SO4 evaluation team, this revised strategy will focus more attention at the local level. This support will strengthen environmental management by developing and testing mechanisms for applying policies and practices at the local level, identifying bottlenecks and other problems that arise in the course of these applications, and routinely feeding information and lessons learned back to the national level to inform the continuing process of policy refinement or, if necessary, redesign. This feedback could be through local representatives of the line ministries or through the representative of CONAM on the Regional Environmental Committee. Local governments have primary public sector authority and responsibility for applying and negotiating compliance with environmental policies, regulations and technologies within their jurisdictions. Personnel of these local governments, and of private sector organizations involved in policy implementation as advocates and/or stakeholders (including the for-profit sector as well as NGOs and CBOs), need training and technical assistance to be able to fulfill their responsibilities and participate actively and constructively in the dialogue process. Capacity-building for grass roots institutions furthers the Mission's cross-cutting themes of democracy and governance, and human capacity development – with particular reference to women, whose participation in training activities will be tracked.

Support at the local level will also be required to identify synergies between green and brown activities in the SO4 portfolio, between USAID/Peru and other donor programs, and between SO4 and other USAID SO programs. Identification of synergies will need to be followed by adjustments to programs to take advantage of the opportunities afforded.

The first step in achieving this intermediate result is an analysis of the institutional needs of environmental management mentioned in the discussion of IR 4.1 above. This analysis will include environmental management as it is, and as it should be, focussing on the roles, relationships and capacities of institutions—public and private, national, regional and local—that need to be involved. The analysis should include both institutions with operational roles, as well as those involved in national policy development across sectors, e.g. the MEF. With this analysis in hand, environmental management “as it should be” can be tested in selected local jurisdictions.

#### **IR 4.3 Increased Environmental Awareness, Understanding, and Demand**

Increasing levels of interest in environmental issues among government and the business and university communities, as well as a high level of interest among environmental NGOs, will be nurtured by exposing public and private sector leaders to environmental problems and to the array of possibilities for addressing them. A consortium of local universities is proposed to provide training geared to the needs of these groups, and to a lesser extent, those of the general public. A smaller companion effort will be initiated to increase environmental awareness and stimulate demand for better environmental quality on the part of the general public, through such means as education programs in schools, universities, civic groups, and women's organizations, and increased coverage of environmental issues by the mass media.

The decision to focus greater attention on building awareness and demand for environmental quality among persons who play key roles in government and private sector institutions, and on opinion leaders reflects the need to demonstrate results during the time-frame of the proposed SO. Awareness raising in the general public can be a very effective tool in a longer-term strategy. It should be added, however, that if, as intended, SO4 communications efforts raise the environmental consciousness of public and private sector leaders, they are likely to devote effort and resources to spreading the word more broadly.

Effective communication of environmental themes depends on the availability of information and capacity to disseminate it in forms appropriate to particular audiences. For this purpose, information collected, but currently not readily available, will be inventoried, and priorities for information generation and dissemination will be established, together with institutional responsibilities.

### **Illustrative Activities**

The Mission Environmental Strategy (MES)<sup>3</sup>, developed in 1995 with substantial Peruvian public and private sector involvement, undertook both to enumerate environmental issues confronting Peru, and to establish problem priorities for USAID to address. The list of problems identified in that document is exhaustive. However, through a prioritization and filtering process, the strategy identified three composite issues (problems) – legal, policy, regulatory and normative framework; urban industrial contamination, including urban sanitation and protection; and rational use of protected areas, and species-diverse and fragile ecosystems including tropical forests. The recent evaluation noted that the enumeration and prioritization remain valid but that the demand side of the environmental management equation needs more attention.

Interventions contributing to this Strategic Objective are being implemented through a Strategic Objective Agreement (SOAG) and are grouped in the following activities:

#### **Sustainable Environmental and Natural Resources Management (SENREM) Activity**

Implementation of the SENREM activity was initiated in 1996, and its current completion date is planned for September 2004. Most ongoing activity components will be completed by December 2001, thus the focus during the remaining period will be on the new Clean and Efficient Production Component (CEPCOM) sub-activity. SENREM's original components are:

- The Legal, Regulatory and Policy Framework Component designed to assist in the improvement of Peru's environmental laws and policies and to strengthen the capacity of CONAM, related GOP sector ministries and other public sector environmental organizations to identify and solve environmental problems. (IR 4.1).
- The Private Sector Advocacy Component designed to strengthen the private sector's capacity for consensus building, problem-solving and environmental policy dialogue. (IR 4.1, 4.2 & 4.3).
- The Pilot Demonstration Projects Component designed to test and validate innovative environmental technologies and practices by private sector organizations, with a view towards their replication on a larger scale by the GOP, the private sector, and other donors (IR 4.2).

The new CEPCOM creates a Clean Production Center for industry; strengthens environmental management of the Ministries of Industry, Fisheries, and possibly Energy and Mines to develop new or improved environmental laws, regulations, standards and management instruments; assists the fishmeal industry to reduce pollution and wastes and to increase competitiveness; and establishes a revolving fund or a loan guarantee scheme<sup>4</sup> for environmental audits and small demonstration interventions (IR 4.1 & 4.2).

#### **Biodiversity and Fragile Ecosystems Conservation and Management (BIOFOR) Activity**

Implementation of the BIOFOR activity was initiated in October 1998 for an intended four-year life through September 2002. BIOFOR is being implemented primarily through a contract with

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<sup>3</sup> *Environmental and Natural Resource Management in Peru: A Strategy for USAID/Peru Assistance*, March 1995.

<sup>4</sup> The SO4 evaluation team strongly recommends the latter, indicating that a cogent case can be made for guaranties to some firms that have a difficult time posting adequate loan collateral. On the other hand, the evaluators did not think that there was a shortage of loan capital. Moreover, capital is available to qualified borrowers on favorable terms.

International Resources Group (IRG). BIOFOR will continue to be implemented as programmed and possibly extended with additional funds through December 2003. BIOFOR is designed to:

- address policy issues that constrain environmentally sound and sustainable management of Peru's biological diversity and fragile ecosystems, particularly tropical forests, through technical assistance to appropriate GOP agencies (IR 4.1 & 4.2);
- assist INRENA in developing its capability to provide leadership in policy improvement and implementation, and management of Peru's biologically diverse areas, fragile ecosystems and forests (IR 4.1 & 4.2);
- train local public and private institutions (NGOs, CBOs, universities, etc.) in strategic and financial management to facilitate improved site-based conservation and sustainable management and monitoring of biologically diverse areas and forest ecosystems (IR 4.2); and
- provide grants to selected private sector organizations that develop training and innovative pilot management approaches for biologically diverse areas and fragile ecosystems (IR 4.2).

Four of the six BIOFOR sites (Pacaya-Samiria Reserved Zone, Río Abiseo National Park, Tingo María National Park, and Madre de Dios, including Bahuaja-Sonene National Park) are tropical forest sites including vast extensions of standing primary forest, including unusually rich biological diversity.

In an effort to strengthen linkages with USAID programs in neighboring countries of the Amazon Basin, BIOFOR supported a visit to Bolivia by high-level Peruvian officials having responsibility in forestry matters to inform them of the nature and success of the forest management activity there. Subsequently, some of the Bolivia criteria were incorporated into the terms of reference for timber concessions in the Biabo Permanent Production Forest in Ucayali. Also, USAID is urging the World Wildlife Fund (WWF) to take into account Bolivian studies and experiences in its plans for forest management certification in Peru.

BIOFOR is coordinating with Conservation International (CI) to consolidate a biodiversity corridor running from Vilcabamba in south central Peru to Amboró in Bolivia (Santa Cruz), in coordination with the Governments of both countries. Similarly, BIOFOR is coordinating, with INRENA, WWF and CI to ensure full local community participation in planning for consolidation of the Santiago-Comainas and Güeppí Reserved Zones along the Ecuadorian and Colombian borders. These efforts are closely coordinated with USAID/Peru's and USAID/Ecuador's border development activities pursuant to the Peru-Ecuador Peace Accord of November 1998.

### **Urban Environmental Health Services and Hygiene Behavior (EH) Activity**

The EH activity was approved in July 1999 and now has a completion date of September 2004. The two major activity results are:

- improved environmental health services in targeted communities (IR 4.2); and
- policies adopted that facilitate improved urban health conditions (IR 4.1 & 4.2).

The activity is intended to bring about positive changes in individual and group behaviors of residents of selected communities, thereby contributing to reduced infant and child morbidity and deaths from diarrhea and acute respiratory infections. It will also strengthen capacity of the MOH-DIGESA to (a) formulate and implement improved environmental health policies with participation of local communities and related private sector organizations; and, (b) provide training in appropriate technologies, strategic planning and program management to the staff of selected private sector organizations and local governments. The EH activity will also provide small grants to local groups and government units to test, demonstrate, and contribute to replication of environmental health improvement actions in selected poor urban communities.

### **Increased Environmental Demand and Awareness (IDEA) Activity**

IDEA is a new activity planned for implementation in 2002. It will have a six-year life.

Since 1995, the level of interest in environmental issues has increased among the business and university communities, and the high level of interest among environmental NGOs has been maintained. This interest will be nurtured and expanded through exposing public and private sector key persons and opinion leaders to the wide array of possibilities that exist for improving environmental quality (IR 4.3). A companion effort will be carried out to increase environmental awareness and demand for environmental quality among the general public, through environmental information programs in the schools, expanded mass media coverage (television, radio, print) and information/education programs for civic and women's groups (IR 4.3).

### **Strengthened Integrated System for Environmental Management (SISEM) Activity**

SISEM is a new activity planned for implementation in FY 2003 and running through FY 2008.

Component one of SISEM will strengthen the national policy framework (IR 4.1). Under this component, short-term technical assistance will be provided to CONAM, INRENA, DIGESA, selected ministries and the Congress to address important deficiencies in the national policy framework. As part of the activity design, USAID will conduct in-depth analyses to inventory, diagnose and prioritize environmental problems, and policy deficiencies that need to be filled so that the problems identified can be addressed comprehensively. Problem prioritization will be based on two related criteria: the size of the population affected by the problem, and the magnitude of environmental threats involved. The agenda developed through this process will be refined based on testing of the policy application and feedback process described below.

While much is being accomplished under SENREM and BIOFOR to establish a national policy framework and to test innovative technologies, less is being done to develop and test a process for application of those policies and technologies at the local level. The second component of SISEM supports development and testing of a system whereby lessons learned in the process of applying policies/technologies at the local level are fed back to the national level to help identify bottle necks and problem areas (IR 4.2). These then can be addressed through policy studies where needed, and improvements can be made in the national policy framework. In order to test such a policy/technology application and feedback process, USAID plans to select four geographic areas to serve as focal points for carrying out a coordinated environmental quality improvement program. The primary criteria for the selection of test areas will be: 1) the presence of one or more of the priority problems identified, and 2) representation from the three major ecological zones of Peru: coast, mountain and jungle. The latter criterion is important from the perspective of maximizing learning from the test areas, since both problems on the one hand and opportunities and constraints on the other are different in each zone. From among areas that satisfy both criteria, the site selection process will be conducted with an eye toward maximizing complementarity and synergy with other USAID SO programs, such as the "economic corridors" program under SO2, and municipal strengthening and alternative development programs under SO5. Complementarities will be sought with the Technology and Business Development Centers of MITINCI and the environmental health programs of DIGESA in no more than four geographic areas of Peru. Areas that look promising at the present time include: the peri-urban areas of Lima; the Pisco/Paracas area of the Peruvian coast south of Lima; the Madre de Dios Department in particular Bahuaja-Sonene National Park, Tambopata National Reserve and surrounding areas; portions of Loreto Department including Pacaya-Samiria National Reserve and Iquitos; and Arequipa.

## D. Proposed Performance Measurement

To the extent practical, proposed SO level indicators are designed to illustrate and capture biophysical changes that can be expected as environmental management is strengthened, while intermediate results are expressed in terms of management or systems changes required and activities designed to determine what those changes need to be. SO indicators cover the range of environmental issues addressed by the Mission's program, i.e. environmental health, conservation and sustainable use of Peru's natural and biological resources, and urban and industrial pollution.

Strategic Objective and Intermediate Results Indicators suitable for monitoring program progress are enumerated below; some indicators will need to be further developed during the first year of the strategy period. Where results are tracked in terms of numbers of people, data will be disaggregated by gender.

Illustrative Performance Measurement	Illustrative Targets
<b>SO 4: Strengthened Environmental Management to Address Priority Problems</b>	
1. # of hectares in protected areas and forests under improved management.	<b>Baseline</b> (2000): 3,897,326 <b>Target</b> (2006): 7,000,000
2. # of peri-urban local governments implementing improved environmental health management	<b>Baseline</b> (2000): 0 <b>Target</b> (2006): 15
3. # of industrial plants in targeted sectors that have adopted pollution prevention practices; or have approved environmental management systems (e.g. ISO 14000 certification).	<b>Baseline</b> (1999): 22 <b>Target</b> (2006): 120
<b>IR 1: National policy legal framework strengthened</b>	
1. Policy Performance Score, as measured by the National Policy Performance Tracking Matrix.	<b>Baseline and Target:</b> (TBD through Policy Deficiencies Analysis completed in FY 2001)
<b>IR 2: Policies and practices application and feedback process developed and tested at the local level</b>	
1. # of local level ordinances developed and adopted. (Analyzed by type)	<b>Baseline and Target:</b> (TBD through Policy Deficiencies Analysis completed in FY 2001)
2. # of improved practices tested and adopted. (Analyzed by type)	<b>Baseline</b> (1999): 2 <b>Target</b> (2006): 60
3. # of instances where feedback from the local level to the national level resulted in the development or refinement of laws, or other policy type instruments. (Analyzed by type)	<b>Baseline and Target:</b> (TBD through Policy Deficiencies Analysis completed in FY 2001)
<b>IR 3: Increased environmental awareness, understanding and demand</b>	
1. # of policy instruments resulting from private sector demand.	<b>Baseline and Target:</b> (TBD through Policy Deficiencies Analysis Completed in FY 2001)
2. % of population (disaggregated by gender) with an increased concern for and understanding of environmental problems as measured through an annual environmental survey.	<b>Baseline</b> (1999): 30 % <b>Target</b> (2006): 45 %
3. # of USAID-funded environmental studies/publications, which have been widely disseminated through public fora and have received mass media attention.	<b>Baseline</b> (2000): 0 <b>Target</b> (2006): 10

NOTE: TBD: To be determined

## E. Critical Assumptions

An important assumption is that central policy institutions, such as the MEF, and local organizations, will participate effectively in the Strategic Objective. To date, MEF interest has been luke warm at best. Involvement of local institutions is particularly critical since policy applications are generally carried out at that level. Sensible policy adjustments to account for ground level realities require routine feedback from the local to the national level. Local involvement in policy dialogue at all stages of the policy process – problem diagnosis, policy design, implementation and evaluation – confronts the tendency in Peru to centralize functions and the hierarchical nature of national level institutions. It is assumed that USAID and its partners can work within this constraint, and that over time it will be eased. However, this is a real constraint, and argues for keeping expectations modest.



Another pertinent assumption is that, by raising awareness and concern for priority environmental problems, demand for ameliorating them will grow, and that demand will be translated into effective advocacy for change. While experience elsewhere suggests that governments do not blithely ignore strong pressures for change, even in "partly free" countries, the end result is not a foregone conclusion.

An implied hypothesis in the SO4 program is that there is a strong functional relationship between the strength of environmental management on the one hand, and environmental quality outcomes on the other. While this is generally thought to be reasonable, some might contend that a strong environmental management is a necessary, but not sufficient, condition for favorable impacts on the environment. They could point to research indicating that demand for remediating some environmental problems is strongly and directly correlated with income and wealth. Without contesting this finding, it remains true that environmental quality does not just happen. Important elements of strong environmental management – including well thought-out rules, proper incentives, good monitoring and strong, predictable enforcement – are critical to success, whatever the level of a country's wealth.

Related to the question of a country's wealth and in view of SO plans to focus on only four geographic areas, is the source of funds to carry out the practices and policies at a broad enough level to result in any measurable impact. The SO4 Team does not see this as a major problem because the focus is on the development of successful model(s), which the GOP and other donors will replicate. For example USAID's solid waste work in two municipalities has spread to the entire northern cone of Lima with other donor support. Likewise, the fishmeal work focussed on Paracas has spread along the entire Peruvian Coast. USAID first started focussing attention on pollution prevention in Peru. Now, the Swiss and the Spanish place heavy emphasis on pollution prevention in their programs. USAID's BIOFOR Activity first started talking about sustainable forest management in Peru, now WWF has a major effort in this important area.

## **F. Program Synergies**

Synergies between SO4 activities, with other SO programs, and with other donors will be aggressively pursued to assure that scarce resources are efficiently used, and to broaden the resources brought to bear on achievement of the Mission's various strategic objectives.

There are several possibilities for taking advantage of activities sponsored by other SO teams to achieve multiple impacts and reduce management costs. For example, SO4 could collaborate with SO2 in the economic corridors where economic service centers are being established. One option is Ucayali where forest products are principal economic activities and where SO4 could offer assistance in sustainable forest management. Similarly, there is potential for collaboration with SO1 in activities that provide training for women mayors and attempt to increase participation in decision-making processes of local governments and community-based organizations, and with SpO5 in coca-growing areas where the latter is also training municipal officials in planning, finance, and management. Here the subject of solid waste management, where municipalities play a key role and in which SO4 has some good experience, could serve as a common initiative. It is also clear that SpO5 will also benefit from the forest policy work that SO4 is supporting and that SO4 and SpO5 should work collaboratively on aspects of forest and natural resource management in selected areas of Peru's high jungle, and with SpO7 in border areas. SO4 and SO3 are already collaborating in the implementation of SO4's Environmental Health Activity and will be working together in environmental health awareness activities. SO4 will also collaborate with SpO6 in the inclusion of environmental themes in the design of appropriate and relevant curricula for bilingual indigenous populations in rural areas.

Synergy and collaboration across SOs can also take the form of providing services. *Environmental stewardship*, the wise use and conservation of resources to assure that they remain available for future use and to maintain life support functions, is the higher order goal to be served by achievement of SO4. But stewardship, consistent with Reg. 216, also requires that other USAID-supported activities are developed and carried out in a way that does not compromise environmental quality. This is the subject of continuing dialogue between the SO teams, and represents a service that SO4 team members are providing.

**Global Issues.** Mission efforts aimed at protecting Peru's vast biodiversity resources further both sustainable national development and global objectives. From a global perspective, Peru is an obvious priority site. FAO statistics for 1996 indicate that Peru has the fourth largest area of tropical forest ecosystems in the world (75.6 million hectares).<sup>5</sup> Moreover, Peru's ecosystems harbor astonishingly diverse flora and fauna. There are 1,710 known bird species in Peru, of which 110 are endemic. The only nation in the world having a larger number of bird species is Colombia. And Peru's plants offer comparable variety, with 17,144 identified flowering species, of which 5,354 are endemic. However, Peru's ecosystems are unusually fragile, and biological diversity is seriously endangered. For example, 64 of Peru's bird species and 377 flowering plants are threatened with extinction.

The Mission's strategic approach to conservation of biodiversity and fragile ecosystems, i.e. management improvements in protected areas, sustainable resource use in the surrounding buffer zones, and policy reform at the national level, is consistent with both national development and global conservation objectives. The highly participatory means by which site-specific management plans are devised and carried out helps assure that there is no conflict between the two. And to the extent that BIOFOR policy work at the national level successfully addresses the underlying causes of forest habitat conversion, it could reduce pressure on Peru's biodiversity-rich forest habitats, thereby assuring that beneficial impacts are evident beyond the sites at which BIOFOR is working directly.

In comparison to many other countries with vast expanses of species-rich tropical forests, Peru's forests have been less seriously degraded.<sup>6</sup> This raises the possibility of supporting carbon sequestration activities, if resources can be found. In this way, USAID could manage its program in Peru to further its objective of mitigating the threat of global climate change.

**America's Fund and Tropical Forest Conservation Act.** In accordance with a debt for development exchange agreed to by the governments of Peru and the United States in 1997, a \$22 million (now roughly \$24.0 million with interest) fund was established to promote activities to preserve, protect or sustainably manage the natural and biological resources of Peru, and to promote child survival and well-being. For these purposes, grants will be awarded on a competitive basis to Peruvian institutions. Final decisions on the first round of grants are expected by the end of the year.

Clearly, these grants serve purposes that closely mirror those of USAID/Peru, including but not limited to those of the SO4 team. Complementarity with Mission-supported activities will be furthered if and to the extent that the Fund takes note of lessons learned from analogous USAID/Peru supported activities and makes grants for work in areas in which USAID-sponsored activities are implemented, including grants to institutions with which USAID is also working. While the Fund is, and should be, independent of USAID, the Mission Director serves as a Fund board member, and in that capacity can work to assure complementarity.

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<sup>5</sup> The three countries with larger areas are Brazil, the Democratic Republic of the Congo and Indonesia.

<sup>6</sup> Estimates of tropical forest loss in Peru total 9.5 million hectares in 2000, with an annual rate of 0.3 per cent and increasing.

Potentially, additional resources could become available via P.L. 480 and/or USAID loan buyback or debt reduction provisions of the 1998 Tropical Forests Conservation Act (TFCA). If an agreement is reached, resources would be used for activities that promote tropical forest conservation, an aim of the SO4 program. The system for managing resources would probably be similar to that established under the America's Fund, after which the TFCA was modeled.

## **G. Contributions to Conflict Prevention**

A consistent underlying theme is the conflict over natural resource access and use in the Mission's environment and natural resource activities. A special emphasis has been placed on addressing natural resource access conflicts at the policy level in the Mission's activities. The Mission's BIOFOR Design Document includes a Threats Analysis with regard to Peru's biological diversity and fragile ecosystems, as well as close work with Peru's environmental council, the natural resources agency, the Regional Environmental Committees (CARs), and other key public and private institutions in biodiversity rich areas and fragile ecosystems.

Potential sources of conflict in the area of natural resources of greatest concern for the Mission include:

- exclusion of local communities and institutions, both public and private, from critical roles in defining and bringing order to natural resource access and use;
- outdated and inappropriate laws, regulations, and policies on access to land, water, and forest resources; favoring politically well-connected interests while denying local natural resource users access and use rights;
- ethnicity, including the elimination of special constitutional protections of indigenous communities' land, water, forest, and mineral rights; and
- rural areas where the likelihood of violence is probably highest because natural resource use conflicts can be triggered by arbitrary concessions and decisions by government agencies without due inter-sectorial coordination<sup>7</sup>.

Among the mechanisms that contribute to assuaging potential conflict situations are local participatory planning exercises. Local participation is increasingly common in GOP and municipal development efforts, although often too little, too late. Additionally, CONAM has created CARs in eight areas, which are functioning with varying degrees of success in inter-institutional coordination, mainly with the private sector.

All of the Mission environmental activities address the above potential conflict areas through policy assistance, training, workshops and other efforts at inter-institutional coordination. All activities involve local community participation in their planning and execution, as well as coordination among key public sector institutions, private companies, NGOs, and Community Based Organizations (CBOs). These efforts explicitly include indigenous peoples, women, and other marginalized local community members.

## **H. Commitment and Capacity of Other Development Partners**

**GOP Partners.** The principal public sector partners responsible for implementing the current program - CONAM and INRENA - will remain key players under the proposed SO4. CONAM was created in 1994 as an autonomous coordinating and consultative body dependent on the President of the Council of Ministers. Its mandate is to develop and promote environmental policies. Specific functions include: policy formulation, coordination and consultation; establishment of criteria for environmental impact assessment formulation; conflict resolution

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<sup>7</sup> Potential triggers are new timber concessions of oil, gas, and mining, tourism concessions, and lack of economic options other than traditional misuse of land, water, and forests; prime targets are Madre de Dios, Pisco-Paracas, Amazonas, Loreto, Ucayali, and mining areas in the highlands, including Cajamarca.

and authority to request application of administrative, civil and/or penal actions when existing policies, norms, and/or directives are violated. Over the past four years USAID has worked effectively with CONAM to implement some elements of the SENREM activity, and to coordinate the implementation efforts of others. CONAM has demonstrated a strong intersectoral coordination capability through the development of recent laws and regulations in solid waste and air quality standards. Evidence of GOP commitment to CONAM is a recent request for a study to raise the level of CONAM within the GOP and strengthen its arbitration authority.

INRENA was established in 1990, merging public agencies responsible for management and conservation of Peru's renewable natural resources. Under BIOFOR, USAID works directly with INRENA's General Directorates of Forestry and Natural Protected Areas and Wildlife. INRENA, like most GOP institutions, is highly centralized, but with a strong interest to decentralize some of its functions. INRENA's stable leadership over the past two years has resulted in a new Forest Law after almost ten years of draft laws and a new Strategy for dealing with Natural Protected Areas. These new pieces of legislation have given INRENA a renewed sense of purpose and the energy to tackle the regulations for the Forest Law and an earlier Protected Areas Law. Over the past two years, through BIOFOR, USAID has developed a much closer and more collaborative relationship with INRENA. We are confident that INRENA will be a principal and effective player in this revised strategy.

A third agency, DIGESA, is the principal partner for implementation of the recently approved EH activity. DIGESA's responsibilities include setting norms and conducting inspections regarding a number of environmental health concerns including water supply; sewerage; solid waste; medical waste; air quality; restaurant, market, and street vendor food hygiene and marine water quality at recreational beaches. DIGESA also has a mandate and the capacity to respond from a human health standpoint to disasters such as earthquakes, epidemics, etc. DIGESA demonstrated its institutional capacity and effectiveness during a recent USAID-supported activity to monitor the blood lead levels of children in Lima and Callao.

As discussed elsewhere in this document, a critical weak link in Peru's management system for addressing environmental issues is at the local government level. Continuing centralization of decision-making and control of public financial resources have further weakened already frail local governments, in turn stifling public and private sector initiatives at the local level. Because so much of environmental policy application takes place at the local, site-specific level, efforts to stimulate increased local government awareness and active involvement in environmental management and regulation is essential. Therefore, it is likely that this SO will work directly with municipal governments. If this proves difficult or impossible due to the weaknesses described above, the SO may work with the Regional Environmental Committees (CARs) recently put in place by CONAM with assistance from SENREM.

**Other Donors.** Support for natural protected areas and forests comes from a number of bilateral and multi-lateral donors. The Dutch are active in and around the Huascarán Biosphere Reserve, the Pacaya-Samiria National Reserve, the Río Abiseo National Park and Bahuaja-Sonene National Park in Madre de Dios, all BIOFOR sites. They also support forestry projects and forestry policy. GTZ, the German bilateral assistance agency, is providing support to INRENA via two activities that complement BIOFOR's work, one on sustainable use of the biological diversity of the Paracas National Reserve, the other to strengthen the national system of protected areas. The IDB is active in economic and ecological zoning in the Peruvian jungle watershed, and supported the Andean Community by means of a project on the use and protection of biodiversity – both activities that complement those of BIOFOR. Canada and the World Bank are supporting the work of INRENA in protected areas and tropical forests, work that also complements support provided under the BIOFOR activity. The Finns and Swiss are also important donors in biodiversity conservation. Total Dutch support for Peru's environment

is estimated at between \$7 and \$10 million dollars per year. Germany provides about \$2.5 million per year. The World Bank, IDB and FAO provide approximately \$14 million, \$2 million and \$9 million, respectively, and the Finns provide approximately \$1.5 million.

The Swiss are providing \$1 million over the next four years to co-finance a Clean Production Center with USAID. They have also placed a long-term adviser in MITINCI to help strengthen its Environmental Unit. The Spanish are providing \$2.2 million to support the creation of sector-specific innovative technology centers. The Clean Production Center supported by USAID and the Swiss will work closely with each of these technology centers. In addition, the World Bank is negotiating a transportation loan that will include support for a Clean Air Initiative in Lima and Callao. USAID is also supporting this effort through the provision of air quality monitoring equipment to DIGESA and through a pilot program with an NGO to begin voluntary testing of vehicle emissions.

In order to avoid duplication of effort, USAID/Peru takes into account the work of other donors in determining geographical and subject matter areas needing attention. In some instances, the Mission has decided not to work in areas because needs are being met by others. For example, the Mission is not working on biodiversity protection problems in the central jungle because work is underway there with Dutch sponsorship. Similarly, SO4 is not working on biodiversity in areas bordering Ecuador because the World Bank and International Tropical Timber Organization (ITTO) are, or in the Lake Titicaca area because there is a large UNDP-sponsored project there. On the other hand, Mission-supported work in pollution prevention was undertaken in part because at the time no other donors were involved, although this is no longer the case.

Donor coordination generally occurs by Activity. For example, through the BIOFOR activity, USAID periodically brings together all donors supporting activities related to BIOFOR. In addition, the UNDP has organized technical working groups for all environment problem areas. Some of these working groups, in the particular the one concerned with biodiversity, are more active and effective than others.

## **I. Customers**

SO4 customers are all Peruvians, with particular emphasis on the most vulnerable groups, including indigenous people, women, children and those living in fragile ecosystems or peri-urban environments. USAID/Peru has examined the comprehensive enumeration of environmental problems from the MES and concluded that, consistent with findings elsewhere, these impact most severely on vulnerable population groups. Examples are easy to find. Deforestation may put the survival of species dependent on forest habitat at risk. This is a global issue. But locally it impacts most directly and severely on the poor who depend on the forest for a variety of products. Wastes from industrial facilities are dumped near peri-urban and squatter settlements in Lima and elsewhere. In addition, industrial facilities are generally in or near peri-urban areas. A high percentage of the populations of these areas are children, who have a high incidence of diarrhea and respiratory infections from ambient and water-born pollution. More generally, deteriorating urban environments most affect the poor, who cannot afford to live in areas where environmental services and conditions are better. A dramatic example of the risks of urban living for vulnerable groups is the resurgence of both cholera and plague in urban areas referred to in the MES. The problem is related to lack of adequate sanitary safeguards in cities, and most affects women and children. Soil degradation and loss reduces crop yields and profitability of agriculture. As the MES points out, the impacts fall disproportionately on women, the young and the elderly who remain on the land while men migrate.

*Gender issues* will be addressed by efforts to assure that the participatory approaches to problem diagnosis, and policy and program design, implementation and evaluation supported under SO4 are open to both men and women, and are culturally sensitive. In site-based activities, the involvement of women and overall attention to gender issues is one criterion used to select grantees. Training activities are open to all; trainee numbers are sex-disaggregated to track how well the SO is contributing to achieving gender equality of opportunity. Training courses, both at national and site levels, will be designed to take into account any particular learning needs of men and women. Gender is fairly neutral in the achievement of this strategic objective; however, women need to be fully aware of the seriousness of environmental issues if effective demand for strengthened environmental management is to be realized. Creative mechanisms for raising their awareness will have to be explored in all activities. Activity design and implementation will need to project and then assess how achievement of results, both improvements in the environmental management system and, at a higher level, environmental quality improvements, affect women and men. While this needs careful consideration at the activity level, generally it can be asserted that, just as the environmental problems confronting Peru disproportionately impact vulnerable groups (including women), the remediation of these problems is likely to benefit vulnerable groups more than others.

## **J. Sustainability**

This revised Strategic Objective is all about achieving sustainability in the ability of Peru to identify and resolve environmental problems. The objective is to strengthen Peru's environmental management; in effect, making it more sustainable. This will be done through the strengthening of individual public and private sector components, e.g., institutions and policies, at the national level, and by creating and/or re-enforcing components, e.g. improved practices and ordinances, at the local level. In addition, the strategy will introduce feed back mechanisms from the local level to the national level and create demand for effective environmental stewardship through all segments of society. If we are successful in strengthening environmental management, sustainability is pretty much assured. National level institutions will develop required environmental legislation and policies and, the incentives and other procedures required to implement them. Local institutions will interpret these policies and inform national level policy makers of additional needs and/or refinements. At the same time, in all segments of society, there will be a constant informed demand for environmental policies and institutions to be sustained.

## **Special Objective # 5: Sustained Reduction of Illicit Drug Crops in Target Areas of Peru**

The U.S. is committed to assisting Peru to eliminate all illicit drug cultivation. In 1989, National Security Directive 18 established an Andean Counternarcotics Strategy for reducing the flow of illegal drugs from the Andean regions to the U.S. This strategy called for an integrated set of law enforcement, economic development, drug crop eradication, demand reduction, and other associated programs. In 1993, U.S. Presidential Decision Directive 14 (PDD-14), increased efforts to control drug production in source countries, encouraged comprehensive multi-donor support, and supported actions to strengthen host governments to act against cocaine production and trafficking. Under this policy framework, a Special Objective<sup>8</sup> (SpO5) was jointly developed with the Government of Peru (GOP) to gradually reduce the area planted with illicit drug crops (primarily coca leaf).

SpO5 activities supported the implementation of Alternative Development (AD) activities in targeted areas of Peru's coca production zone. These activities were aimed at providing licit economic opportunities, increasing access to licit markets, strengthening local governments and increasing awareness of the damage caused by drug production and use. Results so far have been impressive: more than 27,600 hectares of licit alternative crops have been established (e.g., coffee, cacao, palm heart, pineapple and other crops) and are providing the basis for an increase in the gross value of licit agricultural production to

### **Increase Family Income by Replacing Coca**

Juanita Huanca is a widow with three children. She moved with her husband and family to the Chanchamayo Valley 16 years ago to plant coffee on a single hectare of land. Two years later her husband died, and Juanita began planting coca to provide for her small children. In 1997, the Alternative Development Program (ADP) gave Juanita a chance to increase her coffee production and improve its quality. With her children's help, Juanita cleaned and pruned her coffee trees. She also planted a second hectare of coffee on land she once used for coca. Juanita expects that with ADP assistance she will raise production from 181 kg. to 455 kg. of coffee, increasing her income from around \$320 to \$800 per year. Her new coffee plantation will begin to produce in 2001, adding \$1,000 or more – as her quality coffee improves – to her annual household income.

\$64.6 million in targeted areas. This value exceeds by 10% the gross value of coca leaf production in these same areas. AD activities have helped raise the percentage of households with access to basic services from 16% to 49%. At the same time, 62% of the participating population now recognize that drug production and consumption cause both environmental and social damage. These achievements have combined with law enforcement efforts to disrupt the narcotics trafficking system and reduce Peru's coca production area by 66% over the last five years<sup>9</sup>. This reduction in production area caused a drop in potential coca leaf production of 114,400 metric tons, reduced potential cocaine hydrochloride production by 285 metric tons, and significantly decreased the potential flow of harmful drugs from Peru to the U.S. and elsewhere.

As the area of coca production decreased, the U.S. Mission's Counter-Narcotics Control Board (CNCB) recognized the need to concentrate our efforts on the remaining production areas. In May 2000, the CNCB proposed and the Ambassador approved a "Source Zone" strategy which requires more precise targeting of the majority of alternative development assistance towards two key geographic "source zones" (Huallaga River Valley and Apurimac River Valley). The strategy calls for close coordination with other agencies and the GOP in implementing activities

<sup>8</sup> As per ADS Section 201.3.4.6, this special objective was developed due to exceptional circumstances surrounding the activities related to special USG foreign and domestic policy goals of reducing and ultimately eliminating the production of illegal drug products in Peru. The proposed interventions are financed from a directed source of funding --- Counternarcotics/ Economic Support Funds (CN/ESF) --- passed directly to USAID annually by State Department Bureau for International Narcotics and Law Enforcement (INL).

<sup>2</sup> Peru's overall coca production area decreased from 115,000 hectares in 1995 to 38,700 in 1999.

in these areas, provides for central level GOP policy support, and allows for limited investments in non-focus “consolidation” areas. Finally, the strategy recognizes the increase in cultivation of illicit opium poppy in Peru and includes the possibility of funding to curb this potential threat.

As the SpO5 strategy matures and successes are registered under the program, the focus of the GOP and U.S. Government (USG) policymakers has turned to developing a strategy aimed at eliminating the remaining illicit drug crop areas in Peru and sustaining these reductions over time. The new SpO5, ***Sustained Reduction of Illicit Drug Crops<sup>10</sup> in Target Areas of Peru***, will coordinate directly with law enforcement and eradication activities and ensure continued emphasis on achieving sustainable licit economic growth and local ownership of the development process. SpO5 will no longer promote voluntary coca reduction agreements but will finance the efforts of democratic coalitions of local organizations to design and implement economic development initiatives in conjunction with private sector entities linked to local, regional and international markets. The overall goal of SpO5 under this new strategy is to achieve sustainable social and economic development by empowering local communities to find and implement their own solutions to the problems they face.

SpO5 will also contribute to the Mission goal to **promote the expansion of sustainable opportunities for improved quality of life through democratic processes and institutions**. The primary focus of the Alternative Development Program (ADP) is to create the necessary sustainable conditions for local communities to design and implement social and economic development strategies that are applicable to their conditions and opportunities. SpO5 will promote community participation in local decision making processes and will strengthen local democratic institutions, particularly local governments, to improve their capacity to provide sustainable alternative development opportunities. Promotion of transparency, accountability, good governance and respect for the rule of law, will be integral ingredients of ADP activities. Support to increase access and use of quality basic services, and alternative opportunities for increased licit employment and household income will improve the living conditions of participating communities. A law-abiding society will likely take full advantage of the alternative economic opportunities offered by SpO5 interventions. In turn, target populations that enjoy improved living conditions will support and demand a more democratic society.

## **A Linkages to USG, Summit of the Americas, Agency and Host Country Goals**

<b>USG National Interests / Strategic Goals</b>	LAW ENFORCEMENT/ILLEGAL DRUGS Reduce the entry of illegal drugs into the US.
<b>Summit of the Americas</b>	PRESERVING AND STRENGTHENING DEMOCRACY, JUSTICE AND HUMAN RIGHTS Combating the problem of illegal drugs and related crimes.
<b>Peru Mission Performance Plan (MPP)</b>	Eliminate the cultivation of illegal drugs and export of illicit drug products from Peru by 2008.
<b>Agency Framework – Primary Link</b>	BROAD BASED ECONOMIC GROWTH AND AGRICULTURAL DEVELOPMENT 1.3 Access to economic opportunity for the rural and urban poor expanded and made more equitable.
<b>Agency Framework – Secondary Links</b>	1.2 More rapid and enhanced agricultural development and food security encouraged. 2.4 More transparent and accountable government institutions encouraged. 5.5 Sustainable management of natural resources increased 4.2 Child nutrition improved
<b>Government of Peru</b>	Eliminate coca production for illicit purposes by 2005. Incorporate 50% of the farmers involved in non-traditional coca cultivation to other licit forms of activities by 2000.

<sup>10</sup> During the last year Peruvian and U.S. counter-narcotics personnel noted and are beginning to track a potentially significant increase in opium poppy production. As warranted, specific actions and targets in poppy production areas will be developed and incorporated into this strategy.



## **B. Development Challenge**

In 1993, Peru was the world's leading producer of coca leaf, providing 70% of the raw material used in making cocaine for illicit world markets and 80% of the raw material used in making cocaine consumed in the U.S. This caused serious political, economic, and social harm to Peru. Links between narco-traffickers and terrorists undermined civil governmental authority in coca-producing areas, promoting anarchy and impeding democratization and community development. To address this situation, an alternative development program was designed which recognized that the cause of the problem was not the farmers who were producing coca-based products. Rather, the GOP viewed the farmers as victims of a political and social system which had broken down, who had turned to coca leaf production as their only means of survival. The main targets of the GOP approach were the local organizations and international cartels that bought coca leaf and coca paste from the farmers and suppliers. Recognizing the complexity of the problem, the USG and GOP determined that only the combination of effective interdiction and law enforcement, and provision of licit alternative crops combined with strengthened local communities and better infrastructure, could counter and undermine the illicit narcotics economy. Interdiction and law enforcement, managed by the GOP with assistance from other USG agencies, attacked the production, transport, and sale of illicit narcotics, driving down farm-gate prices and making participation in illicit transactions less desirable. AD activities worked in parallel with interdiction to provide licit opportunities and reduce illicit coca production.

Despite the unparalleled performance of AD combined with effective interdiction and law enforcement over the past five years, Peru remains one of the world's leading producers of coca leaf and coca-based products. Production and trafficking of coca leaf and cocaine continue to cause serious political, economic and environmental harm, while domestic drug abuse is expanding rapidly, further compounding Peru's social problems. The 1999 CNC Survey found a total coca cultivation area in Peru of 38,700 hectares, which could potentially produce around 69,200 M.T. of coca leaf and over 175 M.T. of cocaine or 23% of the potential world cocaine production. In addition, although local authority has been restored in the program areas, efforts are needed to sustain governance by increasing public participation in local decision-making and promoting transparency and accountability of local institutions.

The illicit economy based on narcotics production and trafficking remains strong, for several reasons. Coca leaf is an adaptable, productive, and profitable crop. Coca in leaf form has been part of the traditional culture and religion of the indigenous Andean peoples for centuries, and is an essential part of their daily lives. Coca yields up to four harvests per year, providing a regular flow of cash income for farm households. Once planted, coca may be harvested for ten years or more, using unskilled labor and minimal inputs. Narco-trafficking interests regularly provide credit to farmers against their coca harvests, functioning as a rural credit system in many areas where few or no licit financial services are found. Many farmers do not easily differentiate legitimate traditional uses of coca leaf from conversion of coca to illicit narcotics products such as coca paste and cocaine hydrochloride. Further complicating the situation, Peru is seeing rapid increases in cultivation of opium poppy, which is neither traditional nor legal, but is promoted as a profitable crop by narcotics trafficking interests in geographic regions that are outside of the SpO5's current target areas.

To combat this continuing threat, the GOP has introduced changes in the national counter-narcotics strategy, including an expanded program of forced eradication in areas of high coca concentrations in addition to the ongoing interdiction campaigns. Eradication is effective in reducing areas under coca cultivation in the short-term, but local tension and conflict may increase as fragile livelihoods of many households are affected. For AD to effectively sustain

the reduction or elimination of dependence on the illicit narcotics economy, an emergency humanitarian relief program must complement eradication activities, supporting farmers whose crops are eliminated. Otherwise, a situation may develop in which local populations may well revert to the illicit narcotics economy, form alliances with narco-traffickers and terrorist groups, and reject the participatory strategies and licit economic alternatives offered by SpO5-supported programs<sup>11</sup>.

When the ADP first began in 1995, its focus was five coca area watersheds: Apurimac River Valley, Aguaytia, Pichis-Pachitea, Ponaza/Biabo/Sisa, and Tocache-Uchiza. Under the new USG “Source Zone” strategy of May 2000, there are two areas of concentration: the Huallaga River Valley (which includes the areas of Ponaza/Biabo/Sisa, Tocache-Uchiza and Tingo Maria-Monzon) and the Apurimac River Valley (which includes Palmapampa as well as the rest of the valley). CONTRADROGAS and other sources have estimated that only 8,000-10,000 hectares are needed to produce coca for legal consumption. The remaining 28,700-30,700 ha are currently producing coca leaf for illicit purposes. Almost 25,300 hectares or 85% of this illicit coca area is found in the two strategic focus “source zones”, the Huallaga River Valley and the Apurimac River Valley. The Upper Huallaga has 15,200 hectares of illicit coca cultivation, Central Huallaga has 2,000 hectares, and the Apurimac River Valley (which includes Palmapampa) has 8,100 hectares.

The ADP strategy must retain a degree of flexibility to respond to requirements as they emerge, as well as to reinforce ADP achievements in areas where the illicit narcotics economy has been successfully superceded. Given the geographic mobility of coca production, it may shift to new areas or return to earlier ones in spite of AD efforts<sup>12</sup>. In addition, there is growing concern over the spread of illicit opium poppy cultivation in Peru. Until sustainable conditions for a licit alternative lifestyle and economy are firmly established, AD needs to sustain some level of support for a period after illicit coca has been eliminated.

The Huallaga and Apurimac River Valleys are among the poorest areas of Peru with a total target population of approximately 300,000. Despite higher coca leaf prices, most residents live in conditions of severe to extreme poverty, which in some cases are at levels above the national average. (An additional 100,000 live in the “consolidation” areas.) Residents face strong barriers to social and economic development. Lack of access to clean water, sanitation, and proper solid waste management present serious problems. Infant and child mortality and child malnutrition rates are high. Primary and secondary school graduates are not well equipped to take care of themselves, earn a living in their environment, or contribute to their communities.

Improvements in these and other conditions are key to achieving social stability and supporting sustained economic growth. The communities face the additional disadvantage of having weak local, public and private institutions, a largely uneducated work force, lack of economic infrastructure, no formal credit system or access to financial services, and relatively little private sector investment. And finally, there is continuing, though diminished, terrorism allied to violent and socially disruptive illicit coca production and cocaine processing activities.

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<sup>11</sup> An important challenge for the ADP is to achieve a legacy of lasting change that will make it difficult for an economy based on illicit narcotics production and drug trafficking to regain a dominant position in areas where the program has matured. Forced coca eradication, unless carefully managed, may provoke opposition to legitimate authorities and hamper activities aimed at achieving sustained social and economic growth and the development of strong democratic institutions and community associations.

<sup>12</sup> This is especially true if law enforcement and interdiction efforts fail to adequately disrupt the narcotics trafficking market and allow the price of coca leaf to increase.

## **C. Results Framework**

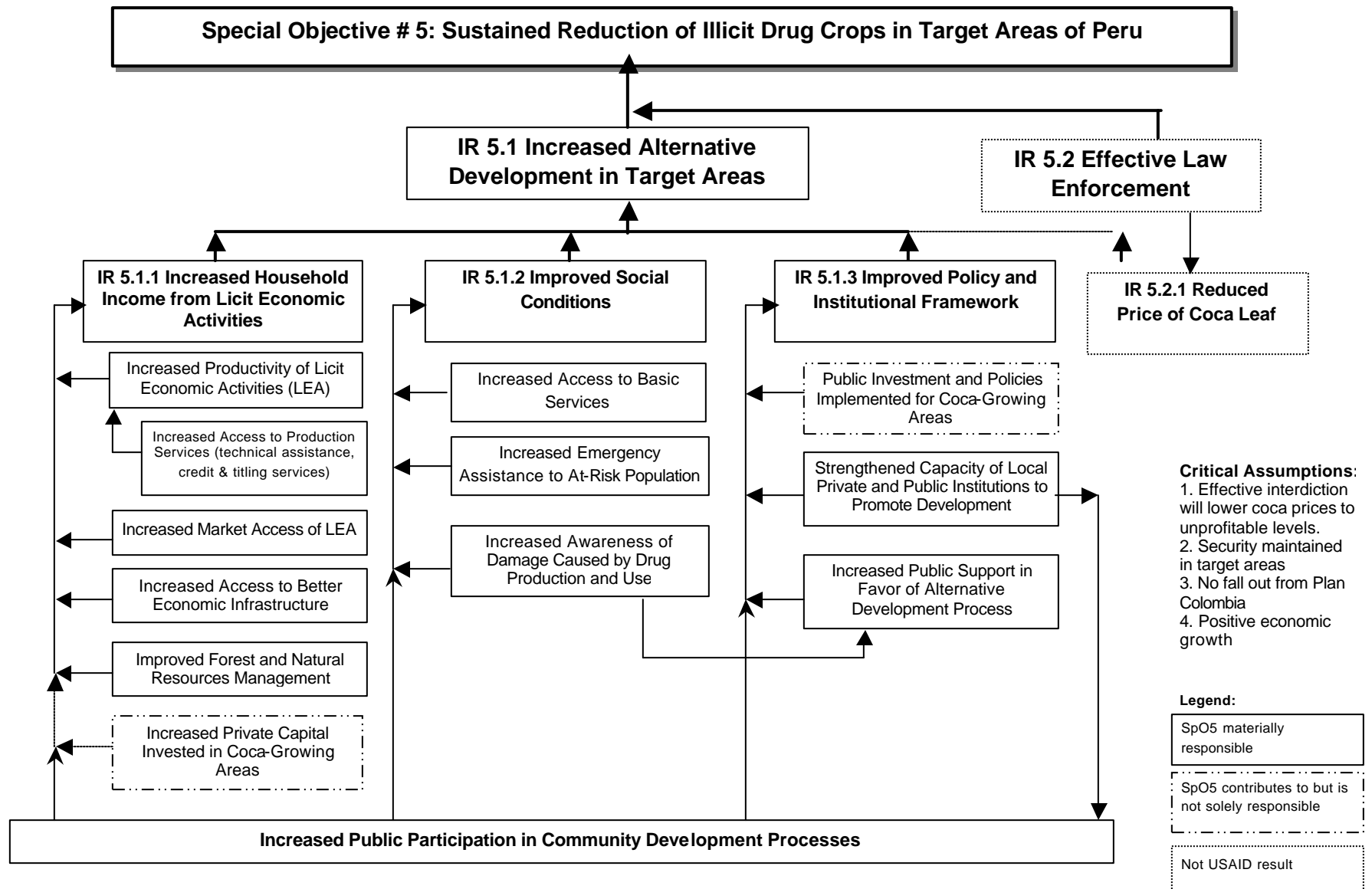
### **Strategic Objective Rationale**

The Special Objective of *Sustained Reduction of Illicit Drug Crops in Target Areas of Peru* is a reflection of a long-term USG counter-narcotics strategy composed of two interdependent elements: (1) law enforcement, interdiction and eradication aimed at disrupting narcotics trafficking, reducing coca hectareage, and lowering the farm-gate price of coca leaf; and (2) Alternative Development interventions aimed at increasing the licit economy of participating communities and farmers. As evidenced by its recent, mid-term evaluation and successful implementation experience since 1995, AD in Peru is an effective tool in promoting sustainable development and contributing to a significant voluntary reduction of coca production in selected coca growing areas. Successful implementation of the ADP is premised on the hypothesis that offering farmers and their families licit sources of income and employment, coupled with improved social conditions and legally organized institutions with the ability to manage local resources efficiently, will lead to their increasing participation in the licit economy. In three annual surveys, customers in ADP working areas identified better access to markets, credit availability and low production of licit crops as the three most important constraints to increasing licit incomes. At the community level, road improvement, health and potable water supplies were identified, particularly by women, as important basic needs yet to be satisfied. Community leaders and individual members have stated that they would abandon coca production for a society that could offer licit employment and income opportunities within a restored legal and institutional framework and with satisfied basic needs.

Throughout the strategy period, law enforcement and interdiction are required to disrupt, if not eliminate, narcotics trafficking to lower the farm-gate price of coca leaf and opium poppy latex to levels that will not be attractive for farmers. Simultaneously, eradication activities are expected to significantly reduce, if not eliminate, the number of hectares devoted to opium poppy and coca cultivation for illicit purposes.

By the end of FY2006, the following conditions will be achieved in the SpO5 target areas: (1) social, political and economic problems caused by narco-trafficking will have been disrupted and sustained licit economic development will be underway; (2) the share of the population dependent on coca for livelihood will be reduced by 80% or more; (3) the areas of coca planted for illicit purposes will have been eliminated, while those areas devoted to opium poppy cultivation will continue to decline as a result of the USG-GOP counter-narcotics strategy; (4) the availability of semi-processed coca products for purchase by drug trafficking organizations will be eliminated; and (5) improved social conditions within a strengthened policy and institutional framework will exist and provide the basis for sustained social and economic development.

Figure 6: SpO5 Results Framework



## **Intermediate Results**

USAID's Special Objective will be accomplished by achieving the following Intermediate Results (IR): 1) *Increased Alternative Development in Target Areas* through implementation of the Alternative Development Program in selected coca-producing areas of Peru; and 2) *Effective Law Enforcement*, which is the responsibility of the GOP and other USG Agencies and not within USAID's management control.

### **IR 5.1: Increased Alternative Development**

For the purposes of this SpO, this IR is defined as the development of a licit economy (as opposed to the coca economy), improved living conditions, and a fully restored local authority based on a strengthened institutional framework. The IR will be accomplished by achieving the following sub-IRs: (1) increased household income from licit economic activities; (2) improved social conditions; and (3) improved policy and institutional framework. Its overall sustainability is expected to be accomplished by strengthening the capacity of local private and public institutions and increasing public participation in local decision-making and community development processes.

#### **Sub-IR 5.1.1: Increased household income from licit economic activities**

Activities under this sub-IR will bring about a sustainable increase in income of families and communities in target areas, through provision of technical and financial support for agricultural and non-agricultural activities.

USAID's implementing partners will carry out projects that assist farmers to increase production, productivity, and quality, and add value to their agricultural activities. Farmers will learn and apply improved practices to produce, process, and market their products to better meet quality, volume, and delivery requirements of local, regional, national and international markets, and to improve their own food security. USAID's partners will also help farmers organize themselves to develop efficient, competitive, and profitable linkages to markets, working with private businesses to generate value all along the marketing chain. Lower and second-tier farmer organizations will be strengthened to provide production, processing, and other market-oriented services on a sustainable basis and to link with other providers of technical services, market information, and credit.

To ensure sustainability, USAID and its implementing partners will encourage private investment to develop licit market opportunities in former coca-producing areas. Interested private sector companies will be encouraged to sign sales agreements, provide advances for crop harvesting and processing, and create new agri-businesses and/or joint-venture schemes with farmers for licit crop production. Local governments, working groups and networks of public and private entities, and local constituencies will be strengthened to promote economic development and farmer linkages to markets.

To ensure the long-term productivity of interventions and effective management of natural resources, USAID partners will apply appropriate environmental practices (including environmental impact assessments and appropriate mitigation measures) and encourage participatory community- and family-based natural resource management.

USAID will provide complementary support for increasing access to markets through rehabilitation of feeder roads and through credit programs via private banks. Important for the long-term sustainability of these complementary interventions will be USAID's efforts under IR

5.1.3 to support specific changes in institutional conditions to improve access to resources<sup>13</sup> and/or capacity to respond to market opportunities.

#### Sub-IR 5.2.1: Improved Social Conditions

Investments in human capital are a critical factor in achieving sustainable economic growth. Sustainable social development is achieved when locally managed, sufficiently funded and staffed, public institutions are developing and implementing social policies to adequately provide basic services and infrastructure at the department, district and community level. This sub-IR will increase people's access to, and help communities to maintain, basic services and facilities. Emphasis will be placed on the provision of quality basic services such as health, education, potable water supply and sanitation services, and infrastructure maintenance in order to ensure sustainability of improved social conditions. Training and other promotional activities will be carried out to encourage greater use of such basic services, allowing target populations to take full advantage of alternative economic opportunities offered by SpO interventions. In addition, the focus on local participation will be expanded to strengthen local public and private sector institutions' capabilities to plan, implement, and maintain social services and facilities.

The GOP national counter-narcotics strategy now includes forced eradication in areas of high coca concentration, which are also ADP target areas. This creates economic conditions harmful to ADP target populations. In order to ameliorate the negative effects of the GOP's eradication campaigns in the short-term, this sub-IR includes Emergency Assistance for at-risk populations. The Emergency Program will finance humanitarian assistance to protect "at risk" children through feeding programs, increase local income through public works activities, and provide micro-credit for licit economic activities. The resulting improved food security of these households will facilitate their participation in licit economic opportunities that will be provided by the SpO.

Drug awareness constitutes a key element to decrease drug demand in Peru and reduce domestic incentives for continued production and supply, as well as to build a national consensus for combating the narcotics problem. Under this sub-IR, technical and financial support will continue to be provided to increase public recognition and knowledge of the environmental and social damage caused by drug production and use. These interventions will support the GOP National Drug Prevention Program that seeks to significantly increase drug awareness and drastically reduce domestic drug consumption.

#### Sub-IR 5.3.1: Improved policy and institutional framework

This sub-IR will provide support for identifying and promoting alternatives for public policy and institutional strengthening, including budget decisions, in support of an alternative licit economy in the target areas. As the main GOP counterpart institution, and in accordance with its mandate, CONTRADROGAS will be primarily responsible for achieving this sub-IR. CONTRADROGAS is expected to propose to the Peruvian Congress, through the Prime Minister's Office or the sectoral ministries, a series of public policies related to decentralization of administrative and financial management functions to local governments; determination of number of hectares and their geographical location of coca cultivation for licit purposes; up-date the official registry of legal coca farmers; allocation of financial resources for rural roads maintenance; promotion of private investments in former coca producing areas; and regulations governing coca eradication and the timber industry in the target areas. Of particular interest will be the implementation of decentralized health and education services through local governments, as already called for in recently passed legislation. In addition, other policies and

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<sup>13</sup> These resources will come from SpO5 efforts to leverage policy change and achieve greater GOP investments in target areas for such activities as major road works and road maintenance, increased land titling, and improved access to agricultural credit.

regulations to promote broader public participation in local decision-making and community development, as well as to strengthen local organizations, will be proposed, as needed. Specific technical and financial support will be made available to strengthen local governments and municipal associations to develop institutional capacity to carry out participatory planning and implementation of basic services, infrastructure and productive projects.

## **IR 5.2: Effective Law Enforcement**

This IR includes counter-narcotics law enforcement and interdiction activities to disrupt, and eventually eliminate, the traffic of drug crops and their processed products in order to lower their farm-gate price, as well as eradication of illicit coca and opium poppy fields to reduce their hectareage and production. Implementation of activities toward achievement of this IR is the responsibility of GOP and other USG agencies. The SpO does not have control over this IR, but it is crucial to the success of the Special Objective. Therefore, the Special Objective will monitor progress in achieving this IR by tracking the prices paid for drug crops and their processed derivatives; the seizure of destruction of illicit drugs and chemicals used for their processing; and, the arrest and incarceration of drug traffickers. Progress in achieving this IR will be measured by declining prices paid to primary producers of drug crops toward levels at which earnings are inferior to those from competing licit products. For the Special Objective to be met, the number of hectares devoted to coca cultivation should decline to those strictly needed for legal consumption, as determined by the GOP.

### **Illustrative Activities**

The primary approach under the ADP strategy is to develop locally-supported, sustainable models for promoting licit economic growth, increasing access to basic services, improving economic infrastructure, and insuring that the extremely poor are in a position to participate in and benefit from development. Depending on the area and the types and relative strengths of local institutions, the ADP will work with a variety of partners including local municipalities, farmer organizations, small enterprises, worker groups, and others. To the extent possible, the program will build on local governments and channel resources through coalitions formed at municipal levels.

In addition to the targeted “source zones” of high narcotics production (the Huallaga River Valley and the Apurimac River Valley) activities will also be undertaken in “consolidation areas” where USAID has been working previously and continued support is warranted. Consolidation and phase-out activities will use approximately 30 percent of FY2000 funding to finance activities in areas including San Martin, Pichis-Pachitea and Aguaytia<sup>14</sup>. “Consolidation” areas may no longer have large areas of coca, but require continued assistance to ensure coca cultivation does not return. These areas may also be new areas brought under the ADP in order to reduce opium poppy cultivation. The “consolidation” areas also offer successful examples important to ADP progress in the two primary focus areas.

Investments and activities outside focus areas must meet the following criteria, and these will be reviewed as part of each year’s operational planning cycle. They may include:

- areas with significant and direct economic or social links with priority focus areas;
- areas identified as opium poppy production zones;

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<sup>14</sup>The funding allocation for primary focus (Huallaga and Apurimac River Valleys) and consolidation areas will be a 70/30 split with 70 percent of resources going to the primary focus areas. This ratio may change over time as coca area is further reduced, demands for investment increase in areas previously with coca in order to reach a sustainable development threshold, and/or opium poppy cultivation increases in areas outside the primary focus areas.

- areas where activities, experience, or resources provide a base for training, advisory, marketing, or related services that have high impact potential in high-priority coca-producing areas or involve economies of scale;
- areas of recent coca eradication, where follow-on activities would ameliorate the economic impacts of eradication on vulnerable groups (e.g., women and children) and prevent a return to coca production;
- carefully selected pilot areas that provide a base for addressing policy, technological or methodological issues, involve other mission strategic objectives, other donors, or other countries with alternative development programs; and/or
- areas where the ADP has (a) established experience and relationships with local organizations and where (b) follow-on activities would contribute directly, demonstrably, and cost-effectively to sustaining the reduction in coca production achieved.

Activities and implementing partners under the program, are divided between the major areas of interventions related to Licit Economic Activities (LEA) and Local Government Infrastructure and Participation (LGIP) Activities.

**LEA.** Licit Economic Activities contribute primarily to the achievement of sub-IR 5.1.1 “Increased Household Income from Licit Economic Activities” by organizing groups of producers and, through them, increasing access to production services (e.g., technical assistance, credit and land titling) and markets. The challenge for LEA is to develop the capacity of cooperating farmers to produce, process, and market successfully, consistently, and competitively in local, regional and international markets. LEA actions in the target areas must improve small farmer ability to produce, process, and market a variety of licit crops and other products, leading to greater household incomes and enhanced rural employment. LEA must also ensure that the enhanced capacities and abilities will continue after ADP investments end, and encourage them to spread beyond initial participants and target areas. Toward this end, LEA will also support the strengthening of local private and public institutions that promote Alternative Development, as well as to increase public participation in community development processes.

LEA will also emphasize agroforestry and forestry management activities. USAID’s principal implementing partner will take the farm household and its agro-ecological context as a main focus to implement agroforestry activities in a two-fold effort: to preserve the environment and, together with the farmers, develop a permanent source of income. The environmental management model will take advantage of the economic potential of forestry and agroforestry practices and products to offer licit economic alternatives to farmers in the coca growing areas. USAID’s implementing partners will use a participatory methodology to determine the forestry activities to be supported. Previous studies indicated commercial potential for both timber and non-timber products (medicinal plants) for local and export markets.

In order to enhance implementation and resolve problems of financial management and coordination, the Special Objective team decided to shift to an “umbrella mechanism” that would concentrate oversight of all LEA activities under one or two primary implementers. The LEA’s major implementers will serve as the primary means for supervision of program activities dealing with licit economic activities, and related natural resources and environmental activities, including assistance to on-going activities presently funded under other instruments, and will manage subcontracts and sub-grants, as required, to achieve the results desired. Implementation responsibilities will comprise a range of services, including but not limited to technical assistance, extension (technology transfer), marketing, investment promotion, training, information system and policy analysis, and commodity procurements. LEA will also be responsible for providing the financial management services necessary to ensure the flow of USAID resources to subcontractors, grantees, and/or other implementing institutions in a timely manner.



**LGIP.** Local Government Infrastructure and Participation activities contribute primarily to the achievement of IR 5.1.2 “Improved Social Conditions” and IR 5.1.3 “Improved Policy and Institutional Framework”. They support strengthening the capacity of local private and public institutions to promote development and broader public participation in local decision-making and community development. The pivotal group of development partners is composed of those organizations involved in LGIP activities. These partners are key to the success of the program in the following areas: promoting local organizational development; assuring concerted actions, consensus, and synergies between beneficiaries and development partners in each coca producing valley or region; improving the environment for productive investments that generate economic growth; and ensuring the financial and institutional sustainability of program interventions. Of particular importance are improvements to the sustainability of infrastructure (both basic and economic) by building increased capacity in local governments and communities to maintain that infrastructure. This capacity is essential to maintain infrastructure and increase quality of life (schools, water systems, health posts) and for the management of roads infrastructure needed for the sustainable economic growth of coca areas. The program interventions to improve infrastructure have a high benefit-cost ratio and affect most of the target population. Improvements to transportation infrastructure have the potential to mobilize substantial private investment and affect farmer options and choices for expanding licit economic growth. Nevertheless, the ADP’s road rehabilitation and improvement work may increase both the access to mature forest and illegal logging as well. However, a better road will also assist the local environmental authorities in their efforts to enforce laws that control illegal logging. To strengthen the environmental awareness of the local population, the ADP environmental strategy will involve local governments and local officials of INRENA (Natural Resources Institute) and work with farmers to preserve the ecosystem they depend on.

LGIP activities involve both public and private sector entities. Communities are the focal point of basic infrastructure, and the program is enhancing the capacity of local governments to carry out development activities with a high degree of participation. Local governments are constrained by: flawed national policies that hamper decentralization, limited resources, frequent turnover of staff, and poor support from the GOP. Municipalities play a key role in the long-term sustainability of road improvements but lack the capacity to fully assume that responsibility. To overcome municipalities’ limited capacity, the ADP strategy is to provide assistance through GOP entities in the ADP areas and to strengthen regional municipal associations as intermediate partners that serve the interests of their associate members. To further strengthen the associations in key areas related to capacity building, the ADP will provide technical assistance and training.

An initial phase of this assistance will be provided under the Sustainable Urban Management (SUM) Indefinite Quantity Contract (IQC). Municipal associations organized as NGOs provide the centerpiece of the strategy for creating long-term institutional sustainability for local development. The associations have the commitment, are non-partisan with a regional vision, and enjoy economies of scale for managing and promoting development in the coca-producing areas of the country.

During the same period, support will be provided both under LEA and SUM to strengthen coalitions centered around local governments in the two principal focus areas: Huallaga River Valley and Apurímac River Valley. Block grant mechanisms may be used, if appropriate and feasible, to encourage local ownership and accelerate the achievement of the Special Objective and intermediate results. Mechanisms including performance-based budgeting, monitoring, and management structures to review and approve such grants will be developed and agreed upon between USAID and CONTRADROGAS.

In addition, the USG Military Assistance and Advisory Group proposes providing complementary support for ADP Local Government, Infrastructure, and Participation activities in 2002 through its *Nuevos Horizontes* program, under which U.S. military personnel gain training by participating in construction activities and medical assistance to rural populations.

**Emergency Program.** An emergency humanitarian assistance component will be designed specifically to offset short-term social and economic consequences of coca eradication/abandonment and assist at-risk populations to participate in sustainable, licit development. This program will be based on the capacity building and micro-finance approach of one of the current NGO implementers. The SpO5 Emergency Program will identify at-risk populations, and develop focused short-term programs designed to mitigate extreme need for these households. The program will provide assistance on several fronts. A food assistance component, accompanied by nutritional assistance and maternal education, will address immediate health and nutritional crises. An employment component will increase immediate income, improve basic infrastructure and access to services, and simultaneously strengthen local community organizations. A micro-credit program will develop financial management capacity and increase credit worthiness of participants, and a market development initiative will pave the way for families to increase commercialization of local products and reduce post-harvest losses.

**Environmental Impact.** To ensure that the potential damage to the environment is under control, in 1998 CONTRADROGAS/USAID formally established an Environmental Impact Assessment System (*Sistema de Evaluacion de Impacto Ambiental*, SEIA). The SEIA was developed as a policy guidance and operational instrument to carry out environmental reviews and monitor mitigation activities, which are required prior to the initiation of any ADP-funded activity. An Environmental Impact Assessment (EIA), including a description of the mitigation measures and how they will be implemented, is needed to approve all road rehabilitation work. The mitigation measures are designed not only to diminish the potential ecological disturbance of the rehabilitation work, but to prevent the irrational logging that could occur as a result of the improved access. Moreover, the ADP's main implementing partner will carry out a specific assessment on the potential environmental impact of this latter issue. ADP's Regional Environmental Office together with local governments will monitor the whole process.

#### **D. Proposed Performance Measurement**

The Performance Monitoring Plan for the ADP includes a series of performance indicators to monitor expected progress and results of Program interventions, as well as to document achievement of the Special Objective.

The performance indicators to measure progress and achievement of the Special Objective will be: (1) *Number of hectares devoted to coca cultivation in Peru*; and (2) *Production of coca leaf in Peru*. These indicators are intended to demonstrate that, on an annual basis, the USG counter-narcotics strategy that combines alternative development with law enforcement and eradication actually results in a net reduction of coca production for illicit purposes. Although the Program will focus on only five of the eleven coca growing areas identified by the GOP, data for these indicators are expected to be at a national level, showing also the effects of the nationwide law enforcement, interdiction and eradication activities. Therefore, the Narcotics Affairs Section of the US Embassy to Peru will be responsible for gathering the data required to set up baseline levels and annual reduction targets for the ADP, and document progress in achieving them through these two performance indicators.

Illustrative performance Indicators to measure expected program results are the following:

**IR 5.1: Increased Alternative Development in Target Areas.** Performance indicators for this Intermediate Result are: (1) *ratio of licit agriculture production to total coca production*; (2) *percentage of population living in poverty and extreme poverty conditions in target areas*; and (3) *percentage of people recognizing that local governments have consulted with the community on the content and priority of their plans and budgets*. The first indicator will be estimated calculating the gross value of the licit agricultural production in program areas (i.e., number of hectares devoted to alternative licit crops, their productivity per hectare and their average farm-gate price) over the gross value of coca leaf produced. The second indicator intends to measure the poverty gap as the average total expenditures of the household and the value of a basic basket of goods and services. The third indicator will measure the public participation in local decision-making. Data for all three performance indicators will be collected through the ADP-funded annual survey. In addition, performance of expected results that contribute to achieving this IR will be measured as follows:

**Sub-IR 5.1.1: Increased Household Income from Licit Economic Activities.** Performance indicators to measure progress and achievement of this result are: (1) *annual per-capita gross production value derived from licit economic alternatives promoted by the ADP*; (2) *percentage of households in ADP areas with per-capita gross production value above the levels achieved by ADP-LEA interventions*; and (3) *number of new licit jobs generated in ADP areas*. The former will be estimated by collecting production levels and market prices for each licit cash crop promoted by the ADP, weighed by the number of participating population. The second indicator will determine the percentage of households in ADP areas that have equal or higher gross production value than those obtained from the ADP productive interventions. All data to make these calculations will be gathered through the ADP special annual surveys.

**Sub-IR 5.1.2: Improved Social Conditions.** The performance indicators to measure progress and achievement of this result are: (1) *percentage of households with access to basic services in target areas*. This is a proxy indicator to measure improvements in the quality of life and overall conditions for families in the target areas. It will count only those families with access to at least three of the following services: sewerage, drainage or an excreta disposal system; potable water supply; school facilities; health clinics; and electricity; (2) *malnutrition of children under five years of age*; and (3) *percentage of people recognizing that coca production and drug consumption cause environmental and social damage*.

**Sub-IR 5.1.3: Improved Policy and Institutional Framework.** The performance indicators to measure progress and achievement of this result are: (1) *appropriate policies developed and adopted in support of alternative development in ADP target areas*. This indicator will include policies related to: a) clear identification of licit coca production and establishment of legal framework for production, processing and marketing of licit coca; b) coherent legal framework for conducting coca eradication activities that identifies illicit coca production areas, provides a clear legal basis for eliminating these production areas, and provides mechanisms to protect the human rights of farmers affected by coca eradication activities; c) promotion of private sector investments in SpO5 areas; d) legal mechanism established to allocate financial resources for rural roads maintenance; e) incentives for licit production in target areas; and f) decentralization of both authority and financial resources from the Central GOP to municipal governments; (2) *number of new technical initiatives developed by CONTRADROGAS to support the National Alternative Plan*. This indicator will include initiatives such as the Andean regional strategic planning of alternative development; local participatory programming; coordination of AD with interdiction and eradication activities; and development of technical proposals for donor financing in selected areas where coca or opium poppy are grown; and (3) *number of local governments and organizations administratively strengthened and sustainable*.

**IR 5.2: Effective Law Enforcement.** To complement coca production data and monitor the effectiveness of sustained law enforcement and interdiction, monthly or quarterly coca leaf and cocaine prices in the working areas will be also documented by NAS, the regular ADP monitoring system or through special studies.

Illustrative Performance Measurement	Illustrative Targets
<b>SpO*: Sustained Reduction of Illicit Drug Crops in Target Areas of Peru</b>	
1. Number of hectares devoted to coca cultivation in Peru.	<b>Baseline</b> (1999): 38,700 hectares <b>Target</b> (2006): 10,000 hectares
2. Production of coca leaf in Peru.	<b>Baseline</b> (1999): 69,200 metric tons <b>Target</b> (2006): 18,800 metric tons
<b>IR 5.1: Increased Alternative Development in Target Areas</b>	
1. Ratio of licit agriculture production to total coca production.	<b>Baseline</b> (1999): 1:10 <b>Target</b> (2006): 3:0
2. Percentage of population living in poverty and extreme poverty in target areas.	<b>Baseline</b> (1997): Poverty: 70% Extreme poverty: 40% <b>Target</b> (2006): TBD
3. Percentage of people recognizing that local governments have consulted with the community on the content and priorities of their plans and budgets (sex-disaggregated.)	<b>Baseline</b> (1999): 50% <b>Target</b> (2006): 90%
<b>IR 5.1.1: Increased Household Income from Licit Economic Activities</b>	
1. Annual per-capita gross production value derived from licit economic activities promoted by the AD Program.	<b>Baseline</b> (1999): \$1,600 <b>Target</b> (2006): \$ TBD
2. Percentage of households in ADP areas with per-capita gross production value above the levels achieved by ADP-LEA interventions.	<b>Baseline</b> (2000): TBD% <b>Target</b> (2006): TBD%
3. Number of new licit jobs generated in AD Program areas (sex-disaggregated.)	<b>Baseline</b> (2000): TBD% <b>Target</b> (2006): TBD%
<b>IR 5.1.2: Improved Social Conditions</b>	
1. Percentage of households with access to basic services in the target areas. (1)	<b>Baseline</b> (1999): 49 % <b>Target</b> (2006): 70 %
2. Chronic malnutrition of children under five years of age.	<b>Baseline</b> (2000): TBD% <b>Target</b> (2006): TBD%
3. Percentage of people recognizing that coca production and drug consumption cause environmental and social damage (sex-disaggregated.)	<b>Baseline</b> (1999): 50% <b>Target</b> (2006): 90%
<b>IR 5.1.3: Improved Policy and Institutional Framework</b>	
1. Appropriate policies developed & adopted in support of alternative development in ADP target areas.	<b>Baseline</b> (1999): 0 <b>Target</b> (2006): 5
2. Number of new technical initiatives developed by CONTRADROGAS to support the National Alternative Development Plan.	<b>Baseline</b> (1999): 0 <b>Target</b> (2006): 5
3. Number of local governments and local organizations administratively strengthened & sustainable.	<b>Baseline</b> (2000): TBD <b>Target</b> (2006): TBD

**NOTES:**

(1) Families with access to at least three of the following services: sewerage, drainage or an excreta disposal system; potable water supply; school facilities; health clinics; and electricity.

(2) TBD = To be determined.

## E. Critical Assumptions

An important critical assumption is that GOP political will to pursue interdiction and eradication will continue despite protests. Sustained law enforcement and interdiction of illicit drug products will result through coordinated actions by the GOP with other USG agencies, beyond the manageable interest of USAID. This assumes that effective interdiction will exert downward pressure on coca leaf prices thereby improving the competitiveness of ADP licit alternatives<sup>15</sup>, and short-term emergency humanitarian assistance will be provided to the people and communities most directly affected by GOP coca eradication campaigns to mitigate its socio-economic impacts.

<sup>15</sup> Coca Leaf Prices – The evidence over the last 18 months is that interdiction is failing to exert sufficient pressure to bring the price of coca leaf down to uneconomical levels.

Another assumption is that there will not be a fallout from the impact of Plan Colombia on Peru in terms of pushing more narcotics trafficking operations into Peru's high jungle area<sup>16</sup>, and security of target areas will be maintained in order to develop the ADP.

Finally, it is expected that Peru's economic recovery will generate enough resources for increased public and private investment in coca-growing areas.

## **F. Program Synergies**

The ADP will seek integration and synergies with other Strategic Objective (SO) teams of the Mission. Chief among potential synergies are the following: (1) financial support to expand SO1's conciliation centers, promotion of human rights and access to justice, as well as other activities to strengthen the capacity of local governments and increase public participation in decision-making processes within ADP areas; (2) financial assistance to support the SO2 team's efforts to establish economic service centers in targeted coca-growing areas, develop and propose policies to promote private sector investments in areas of mutual interest, and share experiences and proven models to improve access to markets and credit, as well as improve the efficiency and targeting of social investments; (3) increased coordination with SO2 regarding food security activities (P.L. 480 Title II) in support of affected populations in coca- eradicated areas; (4) closer coordination with the SO3 team for equipping and staffing health clinics built in ADP areas, as well as to provide quality health services for at-risk populations under the ADP's "emergency program"; (5) closer coordination with SpO6 to improve the quality of education services of schools built in ADP areas; and (6) financial assistance for SO4's specific activities aimed toward environmental management and biodiversity conservation in ADP areas.

## **G. Contribution to Conflict Prevention**

The illicit narcotics industry in Peru has a history rife with conflict and violence. The potential for continued conflict remains relatively high and thus represents a priority target for conflict prevention in the Mission's strategy. Relevant aspects of conflict vulnerability and the measures currently in place in the ADP to mitigate that vulnerability are highlighted below.

Drug Production and Trafficking. The illicit coca economy (production of coca leaf, drugs derived from coca leaf and the trafficking of these products) exacerbates the cleavages and conflicts that are created between individual rights and responsibilities and the need for society to enforce rules and norms for behavior. Poor rural peasants that are highly dependent on illicit coca production for their livelihood are prone to disregard and disobey laws and authorities<sup>17</sup>.

The sustained presence of organized criminal activity by narcotics smuggling mafias (often allied with the remnants of armed terrorists) represents a threat to Peru's civil society. This is especially true in rural areas but narcotics can also have significant corrupting influence at the national level on government authorities, the judicial system, banks, press and industry.

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<sup>16</sup> Plan Colombia calls for US\$1.3 billion in USG assistance to strengthen counter-narcotics efforts in Colombia. Since Peru served in the past as a production area supplying Colombian drug cartel cocaine processing laboratories, there may be a potential surge in illicit coca production efforts in Peru if Plan Colombia effectively eliminates illicit coca production fields there but fails to effectively disrupt cocaine hydrochloride processing and narcotics trafficking.

<sup>17</sup> A feature of rural settlements in the Apurimac River valley was the creation of defensive hamlets ("pagos") for protection from terrorists. This defensive solidarity and distrust of strangers has led to conflicts with authorities. There are recent cases of groups of citizens that rallied to overpower or threaten police officers in order to impede the arrest of fellow villagers for narcotics violations. There are documented cases in the Upper Huallaga of cocaleros resorting to the destruction of roads to cut off and isolate coca areas from the mainstream economy and scrutiny of authorities.

Remaining coca crops in the Upper Huallaga and Apurimac River regions represent a strategically important production platform and narcotics interests will be motivated to defend a continued presence in the Peruvian Amazon region. For this reason, there is a high probability that narcotics issues will generate some level of violence in the planning period. Increasing pressures on the principal coca production areas has already triggered violent confrontations between coca farmers and authorities and will likely continue to do so. Such violence may take the form of sabotage of government programs or equipment, armed conflicts with police and eradicators, or attacks on aid programs and staff. These outbreaks could be potentially very serious and could undermine the ability of Peruvian and international institutions to carry out development programs in the coca areas.

The means to mitigate this area of conflict are primarily through interdiction and law enforcement activities that are outside of the manageable interests of USAID. One element of the national counternarcotics strategy is a vigorous alternative development program to offer licit alternatives to coca and make the transformation to a sustainable licit economy.

The development of this strategy, therefore, has been carried out in close coordination with Embassy and GOP counterparts, as well as partner and customer groups, and a key feature is the close integration and synergy with law enforcement activities to produce a combined impact that will continue to diminish narcotics activities and the ensuing violence in Peru.

Land Tenure. The issue of land ownership in the coca valleys generates numerous conflicts. Migrations, informal or extra-legal land tenure patterns, and poor GOP support for granting secure land titles generate disputes.

Unclear property boundaries and overlapping or contradictory authorities for issuing certifications of tenancy to squatters have led to disputes. In some cases, unclear or disputed district boundaries have contributed to multiple titles to the same property. Language can be a significant barrier to native or Quechua speakers trying to navigate the legal system. Lack of access to land and the lure of coca profits has pushed many people into the national parks and reserve areas. These squatters contribute to extensive forest loss in protected areas that damages watersheds and jeopardizes other agricultural lands. If expelled from their plots, the only alternative available to many is to move deeper into the forest.

The ADP support to the agricultural land titling function of the Ministry of Agriculture will improve the technical capabilities of this office and improved land titling in the coca valleys. However, the magnitude of the problem of land tenure exceeds the capacity of the program to address all problems. It is unlikely that a majority of landowners will have titles by the end of the current program and technical assistance will not reach a large number of poor farmers in the regions.

Changes to Cultural Values. The majority of residents in the coca valleys trace their roots to traditional societies in the highlands and coast of Peru with a strong sense of morality and societal norms. The role of local leaders was traditionally important to represent the community and resolve disputes among its members. The coca economy exerted a strong influence in breaking down these norms that bonded communities and promoted the common good. Communities lost their leaders to violence or corruption and there were few advocates for the public good or efforts to unite communities. In some cases, the narcotraffickers assumed the role of patron and supplied funds for electric power, sports teams or other benefits.

USAID supports the following strategies to address conflicts in coca growing areas in Peru:

- Restoration of rule of law
  - Police presence to disrupt illicit drug production and trafficking
  - Strengthened local governments to conduct local development programs

- Citizen participation in decision-making via democratic processes
- Alternative dispute resolution activities
- Economic development
  - Improved basic infrastructure and quality of life
  - Roads and electric power to facilitate economic growth and development
  - Assistance for agricultural production (TA, credit, etc.)
  - Environmental protection activities

## H. Commitment and Capacity of Other Development Partners

**GOP Partners.** The GOP has placed narcotrafficking as one of its highest priorities because of the social, environmental and economic damage it causes. The GOP has demonstrated its firm resolution and political will toward solving the problem of drug crops cultivation and narco-trafficking by implementing law enforcement and interdiction activities that drive down the prices of coca leaf and coca-based products to historic lows. The GOP's commitment is shown as well by the execution of its coca eradication program, which explains the number of eradicated hectares slightly higher than those voluntarily abandoned in 1999. Finally, the GOP has committed the equivalent of \$115.5 million through 2003 under USAID's Special Objective Grant Agreement.

ADP activities to date have been coordinated and guided by the Peru National Alternative Development Plan 1995 – 2000, which expires this year. CONTRADROGAS is drafting a new GOP strategy and five-year plan (2001 – 2005). This USAID strategy for AD is being prepared in close coordination with the GOP. It will be compatible in terms of its overall goal, specific objectives and performance indicators; areas of focus for AD activities and funding priority for different geographic areas; and overall development strategy and types of development activities and mechanisms.

The primary GOP counterpart under the USAID-funded ADP is the Commission for the Fight Against Drugs (CONTRADROGAS). Attached directly to the Prime Minister's Office, CONTRADROGAS is committed to implementing an effective National Alternative Development program<sup>18</sup>. Under the current ADP, USAID works with fifteen public and private sector implementers executing an array of programs to promote licit economic activities, implement economic infrastructure, improve access to basic services, effectively manage natural resources and increase social awareness to damage caused by drug production and use.

**Other Donors and NGO Partners.** There is a strong commitment not only from GOP partners, through a variety of regionally based institutions, but also from NGO and private sector participants under the ADP to successfully implement program activities. In addition, several donors have committed to assist the GOP to achieve the goals of its national plan. International support of the GOP's 1999-2003 ADP and Rehabilitation Programs increased substantially following the November 1998 Consultative Group on Alternative Development and Demand Reduction held in Brussels and the follow-on meeting held in Paris in January 2000. As a result of the Belgium meeting, other donors such as the UN Drug Control Program (UNDCP), the European Union, Netherlands, Switzerland, Germany, Canada and the United Kingdom pledged a total of \$118.41 million --\$112.21 million for activities in six coca producing areas not supported by USAID, plus \$6.2 million for ongoing ADP interventions. Of this total, \$21.1 million was made available in 1999 to support the GOP's National Alternative Development Program (NADP). This included \$14.9 million to finance new ADP interventions in non-USAID supported

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<sup>18</sup> Currently, the Commission is developing a new five-year strategy (2001-2005) for this program, which is coordinated closely with the USAID strategy.

coca growing areas, including \$0.79 million for social prevention and rehabilitation activities, plus \$6.2 million for continued support to ongoing ADP activities. In addition, at the follow-up meeting in Paris, donors pledged \$40.75 million to support NADP activities during 2000.

SpO5 actively coordinates with the primary donors involved in financing Peru's National Alternative Development Program. Coordination meetings are held regularly and joint site visits are arranged by CONTRADROGAS staff. Funding availability for other donor programs remains a key concern for the GOP. Efforts are made to provide support where appropriate but withdraw from areas that might become too saturated with donor assistance. The Monzon River area in the Huallaga Valley is an example of coordination with an existing donor in the area, the UNDCP, to provide complementary support for their activities. In the Central Selva, the USAID-financed ADP has begun phasing out in anticipation of a \$30 million European Union development program in the same area. The same is true for the Tocache – Uchiza area where the ADP will become more and more reliant on \$9 million German financed assistance program. A key mechanism for maintaining close donor coordination is the Lima Mini-Dublin Group<sup>19</sup>.

## **I. Customers**

The Special Objective's ultimate customers are nearly 80,000 low-income families residing in approximately 1,600 communities within five of the eleven coca-growing regions, where most coca leaf is produced. Its intermediate customers include not only implementing partners and counterpart agencies, but also a large number of local and regional organizations including municipal governments and producer groups.

The ADP is implemented using a participatory planning approach based on annual local and regional planning workshops coordinated by CONTRADROGAS with USAID assistance. Customer feedback regarding ADP implementer performance and reflecting local priority concerns is elicited regularly not only through planning workshops, but also through annual surveys and periodic customer assessments. The information obtained provides the basis for informed management decisions for program implementation.

Women fully participate in, and benefit from, ADP activities. As promoted by the ADP, women participate in the planning workshops both as local authorities i.e., mayors and councilmembers, and as direct beneficiaries. Furthermore, their participation in local decision-making processes is critical, especially when ADP interventions for improving social conditions are being determined. In addition, women and children benefit from both ADP-funded health and education services, as well as from job creation to increase their household income.

## **J. Sustainability**

At the local level, sustainability will be achieved by empowering local entities to develop the ability and incentive structure to implement development activities. Participation by indigenous organizations and local governments will encourage the responsibility to promote new crops, improve local access to basic services, and generate mechanisms for improving and maintaining economic infrastructure. This will be achieved through technical assistance and training of individuals and groups (both governmental and non-governmental) in the target areas. SpO activities are beginning to put increasing focus on channeling direct support to local coalitions, thereby encouraging local groups to develop the skills necessary to sustain the program. In addition to taking steps necessary to operate the infrastructure provided through

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<sup>19</sup> The Dublin Group was established in 1990 as a multilateral forum for informal consultations on international narcotics themes. Original members were the European Community (EC) countries, Australia, Canada, Japan, Sweden, and the United States of America. The Group is comprised of regional groups. The Latin America group is the Lima Mini-Dublin Group chaired by the U.S. Ambassador to Peru. Member countries meet periodically to coordinate on counter-narcotics efforts in Peru.



ADP activities, such as water systems, health posts, school buildings, and feeder roads, community groups and local government will strengthen their ability to provide maintenance.

With regard to the income and employment generated under the SpO, sustainability will be based on the active participation of strengthened local organizations and the promotion of private sector investments. Market driven interventions will be prioritized considering the needs of the local, regional, national and international markets and the disposition of the private sector to invest in the various proposed options. Continued economic growth and increased private sector involvement and investment will facilitate the phase-out of donor dependence.

At the SO level, sustainability can only be assured by actions taken at the national and international levels, including strong interdiction of narco-trafficking. It is dependent on the GOP's continued strong support for its National Strategy for Alternative Development. It should be noted that without successful implementation of elements of the U.S. National Drug Control Strategy relating to control and reduction of domestic cocaine demand within the US, and corresponding control of demand elsewhere, it is probable that sustained international demand will result in economic pressure that could defeat the goals of this SpO, no matter how effective its implementation within Peru.

## Special Objective # 6: Expanded Opportunities for Girls' Quality Basic Education in Targeted Rural Areas

Education is a fundamental human right essential for personal and community development. Assuring the right to basic education, for girls in particular, not only contributes to individual growth and personal fulfillment, but also is important for achieving and enhancing the impact and sustainability of USAID/Peru's development efforts. Better educated girls have healthier children and are more likely to achieve desired family size, participate more actively in democratic processes, contribute more to household and community economic growth, are more concerned about the environment and sustainable use of resources, and are more able to deal with substance abuse issues. Failure to assure quality basic education for girls, and for all Peruvian children, will limit their futures and will diminish the impact of all of our development activities.

USAID/Peru's involvement in girls' education began in 1998 with Peru's designation as an emphasis country under the G/WID Girls' and Women's Education (GWE) initiative. With funding under this initiative provided to CARE to start the New Horizons project, results to date are encouraging. A National Network on Girls' Education was established with the participation of key Peruvian institutions from the public, private, and business sectors, including representatives from the Office of the First Lady, the Congress, the Ministry of Education (MOE), the Ministry of Health (MOH), the Ministry for the Promotion of Women (PROMUDEH), NGOs, universities, the Catholic Church, the Peruvian Business Association, and international donors. The Network has increased awareness of the importance of girls' education through national conferences, consciousness raising campaigns using mass media, support for regional and local girls' education networks, key studies on the education situation for girls, and pilot community projects designed to address barriers to girls' education. Advances by New Horizons, in spite of modest resources invested, have placed USAID/Peru in a unique position within the education community, providing the Mission the opportunity to be a key player in education development and reform in Peru.

### Opening Doors for Girls' Education

The president of the Community Education Committee of the Community of Aquilla en San Miguel, Ayacucho spoke of the advances in his community since the Opening Doors project began:

*"Thanks to this project our community is changing. The promoters and consultants have helped us organize into four committees to support the education of our children. They have helped us to remove our blinders, because before we used to give preference to our male children and not to our female children. Before, the girls worked in the pasture caring for our animals, but now they study side by side with the boys. Thanks to this project we have new educational materials that help our children learn. The teachers now attend regularly where before they were always absent. In our community we have written and posted signs, street names, and building names; we have also written down our legends and customs; and we are keeping a census of boys and girls, adolescents and of the population in general. We are thankful and hopeful that this project will continue supporting and counseling our families so that our community will continue to advance and our children will learn more and have a better future."*

The Special Objective # 6 (SpO6) remains the same with one minor adjustment; the phrase "in target areas" was changed to "in targeted rural areas" in order to better reflect the general focus of the objective on girls and schools in rural areas, and to recognize the need to target efforts to make the best use of available resources. SpO6 is designed to achieve maximum in-country sustainability and impact with relatively limited resources. It is anticipated that measurable results will be achieved within the five years of this strategy. It will be reevaluated in five years to determine advances and decide if the focus on rural girls and basic education remains in the manageable interest of USAID/Peru and conforms with Peru's development needs.

SpO6 also addresses the Mission's priority cross-cutting themes of democracy and gender. Successful attainment of the USAID/Peru strategic goal – **to promote the expansion of**

**sustainable opportunities for improved quality of life through democratic institutions and processes** – depends upon increased educational achievement of Peru's citizenry resulting in a population with better basic skills and early exposure to democratic values and principles. Increased levels of education of Peru's citizenry will improve capacity to participate in democratic processes and will ensure greater respect for human rights. Improved participation of parents and community in ensuring an accountable and responsible education system for their children will provide concrete experiences of democratic processes. The provision of education services by the Government of Peru (GOP) has not always followed democratic principles. Resource allocation throughout the country is unequal; teachers are not trained to develop democratic values in the classroom; discrimination on the basis of sex, language and ethnicity continues. The Girls' Education objective addresses and will continue to address these issues in all of its programs. As a participant in the National Network, USAID/Peru will continue to emphasize that schools should be a major source of educating about and experiencing democratic principles and values.

#### **A. Linkages to USG, Summit of the Americas, Agency and Host Country Goals**

<b>USG Natural Interests / Strategic Goals</b>	ECONOMIC PROSPERITY/ECONOMIC DEVELOPMENT Promote broad-based growth in developing and transitional economies to raise standards of living and lessen disparities of wealth within and among countries.
<b>Summit of the Americas</b>	Universal access to and completion of quality education.
<b>Peru Mission Performance Plan (MPP)</b>	Encourage broad-based economic growth and development in Peru.
<b>Agency Framework – Primary Link</b>	HUMAN CAPACITY BUILT THROUGH EDUCATION AND TRAINING 3.1 Access to quality basic education for under-served populations, especially for girls and women, expanded.
<b>Agency Framework – Secondary Links</b>	1.3 Access to economic opportunity for the rural and urban poor expanded and made more equitable. 4.1 Unintended and mistimed pregnancies reduced. 4.2 Infant and child health and nutrition improved and infant and child mortality reduced. 4.3 Deaths, nutrition insecurity, and adverse health outcomes to women as a result of pregnancy and childbirth reduced.
<b>Government of Peru</b>	Highly educated citizenry fully competitive by international standards to effectively reduce poverty and facilitate economic and social development.

#### **B. Development Challenge**

The SpO6 statement "Expanded Opportunities for Girls' Quality Basic Education in Targeted Rural Areas" speaks to the development problem in a nutshell – Peru's public education system is in crisis, primarily because of the poor quality and inequity of the supply. Although they are national problems, inequities and poor quality are most acute in rural areas of the country, and this affects girls disproportionately. Intransigent poverty, poor health and unsustainable development in general correspond to the deficiencies in public basic education.

Peru has one of the highest levels of access to education in Latin America. Enrollment in primary school is now almost universal, while rates in secondary and tertiary education are 70% and 36% respectively. However, no more than 71% of enrolled children in urban areas and no more than 53% in rural areas complete primary education<sup>1</sup>, and 60% repeat at least one grade during primary school<sup>2</sup>. Dropout rates are also high, ranging from 25% to 75%, depending on the area or group. There are huge disparities in access, persistence, achievement, teacher qualifications, school infrastructure and quality between urban and rural areas, between Spanish and non-Spanish speaking students, and between boys and girls. In urban areas, average years of schooling for

<sup>1</sup> Preliminary analysis, MOE data, 1993, 1998, 1999

<sup>2</sup> World Bank, 1999: *Peru Education at a Crossroad*

the population over 15 years of age is 9.2 years for males and 8.3 years for females, while in rural areas, these figures are 5.1 and 3.7 for males and females<sup>3</sup>.

Peru's complex and highly diverse society magnifies the challenges of providing quality education for all. Challenges include geography and rural isolation, over 40 population groups whose native language is not Spanish, different cultural values and practices, centralized education administration and uneven investment that favors urban over rural areas.

The quality of primary education is severely compromised in the rural areas of Peru. There are 75,000 communities that are only served by 23,500 rural schools. These tend to be single-teacher or multi-grade schools. Teachers are ill-prepared to teach. An estimated 65% of teachers in rural areas (as compared to 38% nationally) are not certified and have not completed basic teacher training. Private teacher training institutions have emerged over the past 10 years in response to privatization campaigns, but little effort is made to assure quality, and teachers are graduated with little knowledge of, or skills in, modern curriculum and methodology, particularly when dealing with multi-grade settings. Although investment has recently focused on improved pre-service training for teachers in public institutes, much more is needed to develop the skill level of new teachers. Supervision of teachers is non-existent or superficial, especially in more remote rural areas. In many areas, actual student to teacher contact time totals only 200 hours--some one-third of the standard 580 hours per school year in urban areas and a staggering 13% of the contact-hours in Peru's private schools.

Rural classrooms suffer most from scarcity of relevant materials. Newly developed materials, especially materials for bilingual education, often do not reach the more remote classrooms. In some cases, materials have been delivered to schools, but they are not distributed to students for fear of loss or damage, or from ignorance about how to use them.

Although many new classrooms have been built in the past 10 years, overall the infrastructure remains problematic. In many communities, the schools are neither safe, nor comfortable places for children to spend their time. In urban areas 16% of schools are without electricity while in rural areas, children study without light in 93% of the schools. Moreover, 62% of rural primary schools have no water and 95% have no sanitation facilities.

Cultural and economic determinants of child-rearing patterns place children in rural Peru at risk for developmental delays long before they reach the school setting. Many children have no exposure to informal or formal activities that stimulate intellectual or motor development. Many more suffer from frequent acute and chronic illness, malnutrition, or micronutrient deficiencies. Parental involvement and support at home are minimal due to the low literacy level of parents, their expectations of the school system, and inadequate living conditions.

Why do these problems affect girls disproportionately? Girls, especially those in rural areas, still experience access problems. Although national data reveal that the net primary enrollment rate is almost 96%, in rural areas, less than half of the eligible girls complete sixth grade. Over age is a serious barrier for girls' academic progress in rural areas. For example, in rural areas 46% of girls are the appropriate age for first grade, however, by fourth grade, only 12% are the appropriate age for their grade. If girls are still in primary school once they reach puberty (age 12-13), the likelihood of their completing sixth grade is minimal. Girls in rural areas, who often start school late, are more likely to speak a language other than Spanish while their brothers have greater exposure to Spanish beyond their homes and villages. The lack of capable teachers of bilingual, inter-cultural education and of relevant bilingual materials hurts these girls whose communication is hampered by monolingualism and an education system that does not offer compensatory bilingual programs to help them.

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<sup>3</sup> Red Nacional de Educación de la Niña, 1999: *Agenda Abierta para la educación de las niñas rurales*.

In Peru, as in many developing countries, the problems girls face in obtaining quality, relevant basic education reflect not only basic inadequacies in the educational system that affect boys and girls, but also strong cultural beliefs and other non-school factors that are specific to girls. Studies on the status of girls' education in Peru reveal often overt, but sometimes subtle, entrenched inequities in the classroom experience of girls in rural areas. Girls feel harassed and ridiculed by boys and teachers in the classroom. Students, especially girls, are not offered the opportunity to participate in class decisions. Physical punishment is still common in many classes, and children have no recourse when such mistreatment occurs. Girls' fears of abuse contribute to absenteeism and to eventual dropout. Worse, such experiences become magnified when girls' vulnerability is heightened during adolescence.

Peru has made notable efforts to increase access to education for all during the last 10 years. Public expenditure in education, despite fiscal constraints, doubled in real terms, reaching 3.5% of the Gross Domestic Product (GDP) in 1999, although still lower than the 4.5% average of Latin American countries. The increased investments, with support mainly from World Bank and Inter-American Development Bank (IDB) loans, have been directed to improve and expand school infrastructure, broaden school materials distribution, develop an improved primary education curricula, promote pre-school education, and provide teacher training. However, these efforts have been concentrated in urban and in the most populated rural areas, and have not been adapted to the more disperse single-teacher, multigrade, or bilingual rural settings, and have not taken into account girls' special needs.

The GOP is committed to ensure quality basic education for all by 2007<sup>4</sup>, and is working in the design of a new program to improve quality education in rural areas to be financed by a World Bank loan. At the same time, the MOE recognizes that the challenges of educating all of Peru's children are overwhelming: resources are scarce; communities are located in areas difficult to reach; cultural beliefs and language barriers make change difficult; management, efficiency and planning capacity in public education are just being developed; the status of the teaching profession needs to be raised; teacher performance requires improvement; and greater citizen participation in and local control of education needs to be introduced and nourished. In addition to addressing these challenges, if girls' special needs are not considered, Peru's goal of education for all will hardly be reached.

Thus, the challenge for Peru is to develop interventions that address the critical constraints of rural education from girls' perspectives. USAID has a comparative advantage in this area, where GOP and other donors are not focusing. The Agency is a leader in promoting girls' education, and USAID/Peru has a strong knowledge of, and experience with, effective strategies for mobilizing civil society support and action.

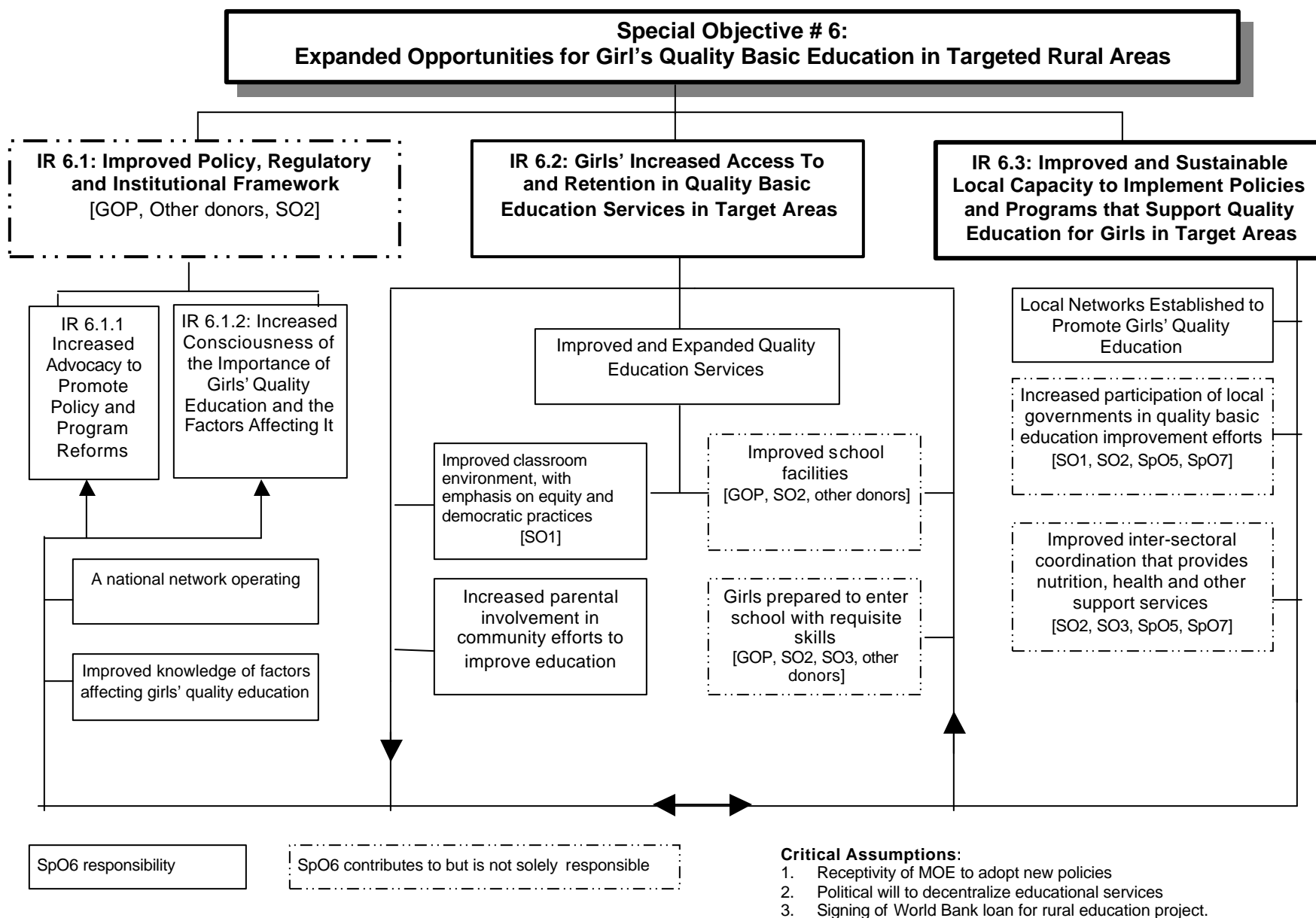
#### **Juanita's Pig**

Barely four years old, Juanita has the full responsibility to care for the family's pig, from the moment she wakes up until she goes to bed. In spite of her very young age, this little girl has a huge responsibility and her family's economy depends in part upon the success of her efforts. If the pig dies or disappears, her parents would lose an important source of income and food. Nevertheless, like many girls her age, with similar tasks to perform, Juanita also wants to go to school. Because she wanted so much to study and knew that she could not let the pig out of her sight, she showed up on the first day of school dragging the pig by a rope, which she used to tie the animal securely to a post outside of her classroom.

Cases like this are frequent in the rural Andean region of Peru, where poverty and scarce resources force parents to decide between sending their children to school or keeping them at home to work. Unfortunately, when these decisions are made, girls are the most vulnerable and in societies with so many unmet needs, boys are felt to have more chances to succeed with a good education, while girls place is seen as in the home, caring for younger children and performing household tasks and caring for the animals.

<sup>4</sup> Ministerio de Educación del Peru, 2000: Educación para Todos 2000. Peru: Informe Nacional de Evaluación

Figure 7: SpO6 Results Framework



## C. Results Framework

### Strategic Objective Rationale

Most societies recognize basic education as a fundamental human right for all. However, these same societies do not always make it possible for all citizens to enjoy this right. SpO6 aims to assure that rural girls fully exercise their right to a quality education. Quality education is essential to achieve sustainable economic and social development, to develop and maintain a society with strong democratic institutions, and to reduce poverty levels by enabling children to develop the core skills they need to successfully participate as adults in the economic and political life of the country. Education is the primary necessary ingredient for poor and marginalized Peruvians to break the cycle of poverty and have healthier families, contribute to the economic growth of their families and communities, fully exercise their rights and responsibilities as citizens, manage their environment and natural resources in a more sustainable manner, and enjoy personal growth and fulfillment.

The rationale for choosing this SO level result is based on the modest amount of resources available; past experience of USAID in the education sector, and particularly in girls' education worldwide; and USAID/Peru's comparative advantage because of its solid reputation gained through the girls' education initiative and other strategic objective activities. USAID/Peru believes that we will *expand opportunities for girls' quality basic education in targeted rural areas* if girls have greater access to and increased retention in the education system; local actors have a sustainable capacity to implement policies and programs that support quality education for girls; and there is a policy, regulatory and institutional framework that stimulates and sustains educational advances in rural areas, particularly for girls.

Why do we focus on girls' education? The returns on investment in educating girls are well documented; the benefits that result from educating a girl are more than sufficient to cover the costs of her education and have been mentioned before in this document – higher wages, better health for her and her family, fewer unintended or early pregnancies, greater participation in civic activities and a better-educated next generation. Studies show that the impact on socio-economic development is greater when girls' education improves than when either boys' education or basic education in general improves.

Does a focus on girls discriminate against boys? Girls' education programs assure that any child who is behind can advance. When a teacher is trained to recognize the special needs of female students, that teacher is also better prepared to teach male students based on their specific needs. Research also shows that where there is a focus on girls' education, the rates of enrollment and attendance of both girls and boys improve, and in some cases, improvement is more significant for boys. Girls' education programs raise consciousness about the importance of quality basic education, and this affects girls as well as boys.

Although Peru's education system requires major investments to benefit all students, the SpO6 strategy will focus on those groups who are most vulnerable and marginalized, namely girls in rural areas living in poverty and extreme poverty. While our goal is to improve basic education for all, our strategy calls for a focus on girls, not only because the need is great, but also because this helps to direct resources. As previously mentioned, focusing on girls' education improves education for all.

## Intermediate Results

SpO6 will be achieved through three closely related intermediate results:

### **IR 6.1 Improved policy, regulatory and institutional framework**

This IR was added to the current framework because there is both need and opportunity to work in this area. Relevant legislation and an improved regulatory environment are needed to stimulate and sustain education advances. Basic education in rural Peru suffers from significant shortages – there are not enough trained teachers; regional and local administration is weak and inefficient due to its centralized management structure; communities are not knowledgeable about nor have the tools to monitor and assure quality education for their children; insufficient funds are invested in basic education, especially in rural areas; and rural schools suffer from inadequate infrastructure. The MOE has identified four key areas for policy interventions for the next decade to address these constraints and achieve their goals of quality education for all: 1) reaching disperse populations; 2) increasing public investment per student to ensure quality education, while facing the challenges of a limited GDP and a relatively large proportion of the total population under 18 years old; 3) decentralizing management of the education system ensuring enough flexibility to adapt its management to the local context and provide quality service; 4) ensuring a cadre of teachers responsive to a quality education system, and at the same time, improving teachers' economic situation, status, and performance.

By working on policy development and/or change, SpO6 hopes to significantly lessen these shortages. For example, the *Agenda Abierta para la Educación de las Niñas Rurales*, developed by members of the National Network and debated at the 1<sup>st</sup> National Conference on Education of Girls in Rural Areas, has already had a positive effect on school construction policy in selected areas and is being considered by the MOE in its annual National Plan for Primary and Pre-primary Education to include specific activities aimed to improve opportunities for girls. The following is a list of possible areas to be addressed under this IR:

- Legal requirements for universal enrollment and school completion
- Policies to improve efficiency and increase investment in education in rural areas
- Teacher remuneration and appointment system
- Decentralization with increased authority to departments and municipalities for assignment of resources to and supervision of education system
- Increased teacher-to-student contact hours
- Increase efficiency of public investment in education
- Increase percentage of GOP budget invested in education
- Consistent information/data available for assessment and planning
- Policies that address violence and sexual abuse in the school environment

Two sub-IRs have been identified to achieve this IR. *Increased advocacy to promote policy and program reforms* recognizes the need to build consensus on priorities among different actors who have a role in ensuring education for all. These include, but are not limited to the MOE, MOH, PROMUDEH, Ministry of the Presidency (MIPRE), Ministry of Economy and Finance (MEF), Congress, donors, and civil society, including parents. At the same time, the capacity to gather and analyze information for decision-making needs to be strengthened to effectively promote policy changes, develop policies, and improve targeting of resources.

*Building a national constituency that recognizes the importance of girls' education and is aware of the constraints facing girls*, and particularly rural girls, will provide the national and local support and commitment needed to develop and implement sustainable policies. An increased



knowledge among the public and opinion leaders of the factors affecting girls' quality education will positively influence policy decisions.

#### Illustrative Activities

Through work with the National Network on Girls' Education, policy issues are being and will continue to be addressed with the Congress, the MOE (both nationally and locally) and local governments. As part of the new strategy, SpO6 will use additional resources to address some of the specific policy issues listed above, from girls' perspectives, through financing of specific studies and assessments, discussion and consensus-building activities among stakeholders, and design of specific policy proposals. Additionally, SpO6 will build on recommendations of the *Mesa Redonda* to coordinate with donors, civil society and the MOE to consider other policy issues. Activities under this sub-IR will be closely coordinated with policy initiatives planned under SO2, and opportunities for joint initiatives will be sought, especially in the rational use of resources to improve access and quality in rural areas.

In addition to possible policy work itemized earlier, the Mission may use mechanisms such as the G/HCD Basic Education Policy Support (BEPS) project or the Improving Education Quality (IEQII) to provide technical assistance to support the MOE in improving the transparency and accuracy of data and information; increasing its capacity to collect, analyze, disseminate and apply data and information; improving system efficiency both in terms of pupil investment and decentralized management; and to work with the National Network on Girls' Education and others to involve key stakeholders, from both private and public sectors in dialogue about major policy issues. Through the National Network and the GWE initiative, the Mission will continue supporting information campaigns, conferences, studies and related activities at the local and national levels to heighten awareness about girls' education issues.

#### **IR 6.2 Girls have increased access to and retention in quality basic education services in target areas**

This IR was changed from the previous version (community and school-based programs that address barriers to girls' quality education implemented in target areas) to better reflect the outcomes expected. This result will be achieved through a set of five sub-IRs that collectively support addressing barriers to a quality basic education and offering girls increased opportunities for access and retention. Results of efforts to address barriers to girls' successful primary school completion in target areas will serve as valuable input into policy recommendations under IR 6.1 and to local program initiatives under IR 6.3.

Activities under this IR will seek to improve and expand quality education services, focusing on trained teachers and availability of relevant classroom materials; improve classroom environment, with emphasis on equity and democratic principles and practices; and increase parental involvement in community efforts to improve education for girls and for all children. In collaboration with other USAID strategic objectives, other donors and GOP partners, efforts will also be directed to improve school facilities and ensure that girls are prepared to enter school properly nourished and with the requisite skills and learning readiness resulting from appropriate infant stimulation and early childhood education.

#### Illustrative Activities

SpO6 will support direct interventions in target areas aimed at addressing school and non-school-based factors that restrict girls' access to and retention in the education system. Efforts will be made to pilot innovative interventions that will improve the provision of quality education in rural areas, particularly in disperse under-served communities. Initiatives will focus on

teacher training in bilingual education, appropriate and expanded supervision and monitoring, integrating democratic practices in the classroom, improving girls' self-esteem and assertiveness, increased community involvement in schools, use of distance learning technologies, use of non-traditional teachers, relevant curriculum that includes school-based environmental, health and nutrition education, formal and non-formal pre-school education, early childhood stimulation, and appropriate school facilities, among others.

USAID/Peru is currently implementing an activity called Opening Doors (*Abriendo Puertas*), supported by \$1 million from the LAC Basic Education Presidential Initiative and \$250,000 from the Mission. Through a cooperative agreement with UNICEF and working closely with the MOE, CARE and CIDE (a local NGO), the Mission proposes to affect the determinants of education for rural girls in ways that remove impediments to successful primary school completion in Ayacucho, Apurimac and Huancavelica. The activity is planned to go through March 2003. Based on the progress to date, the mission plans to expand this activity to other highland, and perhaps selected jungle areas. In August 2000, the SpO6 team was awarded an additional \$500,000 from LAC-managed Presidential Initiative Funds for a component called *Abriendo Puertas – Docentes* (Opening Doors – Teachers). This component calls for a collaborative investment by the MOE, local governments, local teacher training institutes, UNICEF and USAID to improve the quality of teaching in rural areas of the Departments of Ayacucho and Huancavelica in the highlands, and San Martin in the jungle of Peru. Activities with similar objectives and approaches will be implemented by SpO7, in coordination with SpO6 activities, in the border areas, specifically with indigenous Amazonian communities.

Lessons learned from New Horizons pilot projects (CARE-Peru) and from *Abriendo Puertas* (UNICEF) will contribute to ongoing project development, and will inform the MOE in its efforts to design a national program to improve rural education. This has already occurred; for example, informed by initial findings from *Abriendo Puertas* activities, the MOE is considering a national campaign to improve reading and writing skills among primary school children. SpO6 will share pilot project results with the World Bank and the MOE in order to contribute to the rural education initiative during its final planning and implementation phases.

Activities under this IR will be evaluated for such results as improved grade completion and learning achievement by girls and for cost effectiveness to justify replication by the MOE and/or to take to scale under multilateral donor loans. The MOE, both nationally and locally, has been and will continue to be involved every step of the way from project planning, to implementation and evaluation. In this manner project integration and replication by the MOE are considered during all phases.

### **IR 6.3 Improved and sustainable local capacity to implement policies and programs that support quality education for girls in target areas**

The MOE hopes to have an education system that is characterized by greater community participation, with increased accountability to local stakeholders and contribution by both public and private sectors to education access and quality. The emphasis of the IR is on improving local capacity to sustain efforts to promote girls' quality education and to assume greater responsibility in the management and monitoring of education services. Efforts under this IR will be directed to establishing local networks, comprised of representatives from the local education administration, municipal officials, grassroots organizations, local NGOs, business organizations, and other sectoral institutions. The network objectives will be to promote girls' quality education and to foster improved inter-sectoral coordination in the provision of nutrition, health and other support services. Special emphasis will be placed on improving local government capacity to participate in quality basic education improvement efforts, including monitoring and evaluation. Lessons learned under this IR in target areas will also serve to inform policy recommendations under IR 6.1, particularly those related to decentralization.

### Illustrative Activities

Part of the work of the National Network is directed toward strengthening local involvement in improving education opportunities for girls. This will continue with USAID/Peru support of the New Horizons activities mentioned above. It is possible that additional resources will be made available on a matching basis by G/WID, GWE for continuation of the “Girls’ Education” emphasis country projects. Decentralization will remain an important theme in which local governments will assume a much more important role in education. New activities under this project will support the establishment and training of local education committees to strengthen local monitoring and control of schools. Focus on the local level will include both public and private institutions.

### **D. Proposed Performance Measurement**

By monitoring both 4<sup>th</sup> and 6<sup>th</sup> grade completion rates nationally and in target areas, the Mission will be able to compare progress internally in the country and with worldwide measures. Primary school completion is an important SpO level indicator that supports both Peru’s goal of universal primary school completion by 2007 and that of the Summit of the Americas by 2010. Completion of 5-6 grades of primary school is the basic requirement to achieve the positive self- and community-development results documented earlier.

The desired impact of quality basic education is measured by the demonstrated achievement of the students. Measuring student improvement at the SpO level is an important indicator of the quality of the education being offered. The MOE has administered standardized achievement tests and, results have just been released. However, the methodology has been questioned and results are being reviewed. Efforts to improve countrywide valid standardized testing continue, and the Mission will use both MOE testing results, as they become available, and project specific results in target areas. UNICEF, the Mission’s primary partner in basic education, has developed, field-tested and validated instruments to evaluate achievement in reading and writing at the primary school level. These instruments will be used in target areas.

At the intermediate level (IR 6.1), the Mission believes that improved policies and regulations, as well as institutions able to implement and enforce them, will support improved education quality and expanded opportunities for girls. Addressing the specific needs of girls and the barriers to their educational achievement and advancement, requires policy analysis and change and development of systems to implement and monitor such changes. At the least, an analysis of new public initiatives that favor girls’ education, will enable the Mission to evaluate progress in improving the policy framework. SpO6 will work with other SOs who have a policy IR to implement a qualitative policy environment assessment tool that has been tested in other settings and found to be a useful measure of the impact of policy initiatives.

Intermediate Result 6.2 measures progress in assuring girls’ timely enrollment and retention in the education system, both of which are essential for successful primary school completion. Indicators of quality education at the community and school level (trained teachers; appropriate materials; democratically managed, child-friendly classrooms) are included, because of the importance of the quality of the supply, but also because they are known to contribute to girls’ timely enrollment and retention.

Ultimately, local responsibility and involvement in assuring quality basic education for girls (IR 6.3) will contribute to the sustainability of efforts to improve girls’ education and to maintain ongoing quality of basic education. Local involvement requires coordination of services and

collaborative efforts among stakeholders. Documenting local network activity and support programs implemented in favor of girls' education measures local commitment.

Illustrative Performance Measurement	Illustrative Targets
<b>SO 6: Expanded Opportunities for Girls' Quality Basic Education in Targeted Rural Areas</b>	
1. Girls' 4 <sup>th</sup> grade completion rate	<b>Baseline</b> (1999): In process <b>Target</b> (2006): TBD
2. Girls' primary school completion rate.	<b>Preliminary Baseline</b> (1998): 49% for girls in target areas <b>Preliminary Target</b> (2006): 61% (to achieve at least the current primary completion rates of boys in target areas).
3. Proportion of children who perform satisfactorily on a grade-appropriate achievement test.	<b>Baseline</b> (2000): TBD <b>Target</b> (2006): TBD Expected 50% improvement in reading/writing levels in 2 <sup>nd</sup> and in 4 <sup>th</sup> grade in target areas.
<b>IR 6.1: Improved policy, regulatory and institutional framework</b>	
1. Index of public sector initiatives promoting girls' education (Qualitative analysis by policy)	<b>Baseline</b> (2000): TBD <b>Target</b> (2006): TBD
<b>IR 6.2: Girls have increased access to and retention in quality basic education services in target areas</b>	
1. Enrollment of 4-5 year-old girls in pre-primary programs	<b>Baseline</b> (1999): In process <b>Target</b> (2006): Enrollment in pre-school is expected to increase by 75%
2. Child friendly classroom index, including equitable treatment of all children and promotion of democratic principles.	<b>Baseline</b> (2000): TBD <b>Target</b> (2006): TBD Scores are expected to improve as a result of supervision/follow-up visits.
<b>IR 6.3: Improved and sustainable local capacity to implement policies and programs that support quality education for girls in target areas</b>	
1. Number of local networks established and operating	<b>Baseline</b> (1997): 0 <b>Target</b> (2006): 18
2. Percent of target communities with integrated services for children*	<b>Baseline</b> (1999): In process <b>Target</b> (2006): TBD

**NOTES:** \* nutrition, growth and development, health and basic education  
TBD = To be determined.

## E. Critical Assumptions

The National Network is becoming increasingly independent, but will need to become self-sustaining for long-term sustainable results to be achieved. In the two years that Peru has been a USAID Girls' Education emphasis country, much has been accomplished; however, in order to achieve stated results, renewed USAID/GWID funding is necessary. Sustainability will be enhanced by increased commitment on the part of the business sector to sponsor activities of the National Network and of other organizations working to improve girls' education opportunities.

Improved quality of education, especially in rural areas, cannot be achieved without increased investment by the GOP. This will require a reordering of budget priorities and a national commitment to invest in improved public education, especially now that Peru is being asked to reduce federal spending and the GDP is expected to be flat. A World Bank loan to finance the MOE's rural education project is pending; the signing of this loan will provide additional resources for the Ministry to invest in improved education quality and infrastructure (including technology for distance education) in rural areas. Achieving results will depend upon the continuing and increasing receptivity of the MOE to adopt new policies and approaches to improve quality, equity and efficiency.

Sustainable quality improvement in schools will also not occur unless there is actual political will to decentralize educational services and thus make schools accountable to authorities, parents and children.

## **F. Program Synergies**

Recognizing that education is a critical variable in the reduction of poverty, SpO6 and SO2 will work together on policy development and implementation to improve access to quality basic education for girls. Because of SO2 and SpO6 interest in rural development, in alleviating rural poverty and in improving education opportunities for girls in rural areas, efforts will focus on promoting policies that increase resources for rural schools. It is anticipated that the impact that SpO6 might achieve will be greatly increased by this collaboration with SO2. In addition, synergies will be sought with SO1 regarding decentralization in schools.

With respect to girls' increased access and retention, additional synergies will be sought with the following SOs:

- SO1 to improve democratic practices in the classroom thus improving classroom environments and encouraging more equitable treatment of students;
- SO2 to ensure food security for pre-school and school age children and increased investment in rural education, particularly in rural areas of SO2 priority economic corridors;
- SO3 to encourage innovative health education and health promotion in schools and at the community level;
- SO4 to expand innovative school-based environmental education that contributes to the relevance of the classroom experience and to community involvement in environmental issues; and
- SpO7 to apply lessons learned in rural education to benefit girls in border areas.

In order to improve local capacity in the area of quality education and related services for girls, synergies will be sought especially with SO2 and SO3 to improve inter-sectoral coordination to provide integrated services in health and nutrition for pre-school and school-aged children, and with SO1 to achieve increased citizen participation in monitoring local school performance and in establishing local accountability of school systems, and SpO5 to strengthen local government capacity to monitor and manage quality education systems.

Based on statistics from around the world we know that quality universal education is key to sustainable development in general. Therefore, special efforts will be made, in coordination with SpO5, to analyze the specific relationship between education levels and willingness or ability to participate in alternative development instead of illicit coca leaf cultivation. Such information will contribute to knowledge about the importance of social sector development as part of overall activities in alternative development.

## **G. Contribution to Conflict Prevention**

The need for expanded opportunities for girls' quality basic education to overcome barriers that prevent girls access to, permanence in and completion of primary and secondary education are greatest in rural areas, and activities are targeted, but not restricted to, three departments – Ayacucho, Huancavelica and Apurimac. The armed conflict that terrorized Peru for over 15 years started in Ayacucho and spread to both Huancavelica and Apurimac, rooted in the rural population's extreme poverty, illiteracy and inability to defend their rights.

Educating girls is a long-term investment in conflict prevention because:

- women with at least a basic education contribute more to economic development and consequently to poverty reduction, both in their families and their communities; as poverty

levels decrease people are less susceptible to movements that preach armed conflict as the only means of political change;

- domestic violence is a serious public health and social problem around the world, and girls and women are most often its victims. Education that is sensitive to gender issues and promotes self-esteem in girls will help to make all students more aware of girls' rights and will support girls in defending their rights; and
- each year of a girl's education contributes to her capacity to improve the health and nutrition in her family, to support her own children's education and to better plan her family size. Better health and nutrition, more education and control over one's reproductive rights all contribute to improved self-esteem and productivity. Family violence is most commonly found in the presence of ignorance, poverty and low self esteem; therefore, addressing these issues through quality education, with a special emphasis on girls' education, will help to interrupt the cycle of family violence.

Education in democratic values and principles is increasingly a part of primary and secondary curricula. By providing students with a classroom environment that models democratic values and behaviors (discussion, negotiation, transparency, compromise, exercise of rights and responsibilities, leadership and team work, and respect for all group members), schools are providing experiences that will help mold students' approach to interpersonal and group situations. It is expected that both learning about and experiencing how democratic institutions function will inculcate over the long term corresponding values and behaviors, and that these values and behaviors will contribute to preventing and/or resolving dangerous conflict situations.

## **H. Commitment and Capacity of Other Development Partners**

**GOP Partners.** The problems of and proposed solutions for Peru's education system have been eloquently documented by many respected organizations. Peru's commitment to a stable economy to attract both national and international investment, to democratic institutions and to reducing poverty requires a strong education system with sustained policies and programs, and this has prompted increased collaboration by the MOE with donors and civil society. However, there remains a strong need for increased coordination among donors as well as among departments within the MOE. A national public commitment to quality basic education needs to be developed and nourished. There is little public debate about needed policy change, and the MOE has at times been less than transparent about the condition of public education in the country. It will be important to build a sense of "we are all in this together" if we are to improve public education in Peru.

**Other Donors and NGO Partners.** USAID/Peru, in implementing its activities in girls' education, has and will continue to coordinate closely with the MOE. USAID/Peru's major implementing partners, CARE-Peru and UNICEF maintain strong collaborative relationships with the MOE, both at the national and regional levels. Although activities under SpO6 are too recent to claim results, both CARE and UNICEF have demonstrated their capacity to achieve results in other USAID/Peru-funded activities, namely EBADECA under SHIP South (CARE) and Transition to Primary School (UNICEF), funded from 1996-1998 with limited USAID/Peru education funds.

The climate is improving for donor collaboration. Civil society demands and public sector response have created an atmosphere of greater openness and prompted recognition of the need to work together. In February 2000 USAID/Peru sponsored a *Mesa Redonda* (Roundtable discussion) to debate policy and program directions in education for the new century. Several donors, non-governmental organizations, representatives of the MOE, municipal authorities and

community leaders exchanged ideas and made tentative plans to continue meeting with each other. One of the major purposes of ongoing dialogue is to assure that essential public education policies and programs are maintained through likely future political changes.

Partners' capacity and commitment are further evidenced by their success in reaching agreements with the MOE to include girls' education assessment, activities and indicators in the Year 2001 National Plan for Primary and Pre-Primary Education.

Increased coordination with other donors will improve capacity to achieve results. For example, we have begun talking with both the German international technical cooperation agency (GTZ) and the IDB who are involved in pre-service and in-service teacher training and bilingual education to coordinate activities for the new project, *Abriendo Puertas – Docentes*.

The GOP has a current \$100 million loan with IDB for institutional strengthening with a component for improving pre-service teacher training. The focus of this component is to improve the training of new teachers by ISPs (Instituto Superior Pedagógico). Coordinations with the IDB in Peru have been initiated and will be followed by joint meetings between USAID/Peru, IDB and the MOE to pursue synergies in support for preparation of teachers as trainers by local ISPs.

GTZ works within the MOE to manage its grants for teacher training. GTZ is finishing up its work with Plan Nacional de Capacitación Docente (PLANCAD) and is beginning several new projects -- one of which is to establish bilingual/intercultural education centers at selected ISPs in Ayacucho, Huancavelica and Apurímac. This will be an excellent resource for SpO6 activities to use in training teachers as trainers. GTZ has considerable expertise in this area and in the area of gender equity, both of which they are anxious to share. Ongoing collaboration has been planned.

In its sector analysis, *Peru Education at a Crossroads: Challenges and Opportunities for the 21st Century*, the World Bank included strong recommendations for program and policy implementation directed to improve equity and quality. SpO6 program activities address several of these areas and can serve as a model for possible replication under the Bank's loan with the MOE for the Rural Education Project. The possibility of replicating SpO6 activities under the Rural Education Project has been discussed with the MOE and the World Bank. In addition, USAID/Peru's policy activities will evolve from ongoing discussions with other donors, particularly the World Bank and the IDB.

## **I. Customers**

Basic education in Peru requires major improvements in quality and equity if it is to educate all children. The SpO6 strategy will focus on the most vulnerable children, rural girls, to overcome barriers to quality education; however, the impact of activities under this strategy will benefit all children.

The identified customers benefiting from SpO6 are the approximately 1,800,000 girls living in rural areas of Peru, along the coast, in the highlands and in the jungle. Interventions meant to support girls also have a positive effect on boys, and basic education overall will be improved. SpO6 activities will focus on, but not be limited to:

- areas where girls' access to and persistence in quality basic education is lacking;
- rural areas, both highlands and jungle;
- indigenous populations;
- poor and/or marginalized groups; and

- areas where USAID has other projects.

SpO6 will continue to focus on equalizing the playing field between boys and girls without prejudicing the opportunities of boys. Program interventions will focus in targeted rural areas; however, policy changes will affect girls' opportunities, as well as boys', throughout rural Peru.

## **J. Sustainability**

All project activities have sustainability plans that generally involve the MOE's adopting successful project interventions. Efforts will continue to replicate successful pilot projects as large scale activities funded by loans from multilateral donors. Teacher training as a component of Girls' Education projects contributes to lasting improvement in teacher capacity which remains long after funding has ceased and has a multiplier effect by positively affecting the lives of the children and families affiliated with the school.

Synergy with other SOs will increase impact and improve the development of human resources. Once girls are educated, they will contribute to sustainable improvement in the quality of life in their families and communities. Activities that increase local capacity and involvement in assuring quality basic education services will contribute to the sustainability of project results.



## **Special Objective # 7: Improved Quality of Life of Peruvians along the Peru-Ecuador Border Target Areas**

In October 1998, Peru and Ecuador signed a Peace Agreement ending decades of conflict over their shared border. As part of the Peace Agreement, both countries have committed themselves to improving the living standards and providing tangible development benefits to the population living in the border region. Towards this end, Peru and Ecuador developed a Binational Development Plan for the Border Region (the Binational Plan), which will require an investment of \$3 billion over 10 years.

The United States has invested considerable time, effort and resources in helping the parties to achieve the Peace Agreement. Thus, to consolidate this peace process, the USG committed to the provision of \$42 million (\$20.5 for Peru and \$21.5 for Ecuador) in assistance to support the Binational Plan for both countries over the period FY 1999 - FY 2003. Both USAID/Peru and USAID/Ecuador have developed separate but coordinated and complementary programs to support both countries' efforts.

USAID was the first donor initiating activities in the border region. USAID/Peru's initial activity in the border, which started in June 1999, is showing tangible benefits of the Peace Accord in border communities. Interventions have been focused on local organizational strengthening and implementation of high-impact, small-scale community infrastructure, to provide these communities with actual participatory experiences in developing and implementing activities, while also providing services (e.g., potable water systems, sewerage, health posts, and classroom improvement). This initial activity, called FRONTERA, will benefit 2,500 poor families living in 50 border communities of the Piura highlands (Ayabaca border districts). Results to date are remarkable. For example, (1) four multi-sectoral coordination networks, led by the municipalities with broad citizen participation at the provincial and district levels, have been established; (2) forty-four communities, using participatory planning and implementation processes have completed 52 community infrastructure projects, which include latrines, classrooms, potable water systems and rural roads; and (3) communities, including the municipalities, have already been trained in maintenance and use of these structures and systems. The successful methodology used to implement basic infrastructure projects has leveraged resources from the Government of Peru (GOP) and other donors. The Japanese Government financed additional community infrastructure projects in nine communities where

### **Participation in Border Development**

Alto de la Laguna is a small community in the highlands of Ayabaca. Families began to settle there in the 1940s, and are scattered around a small hill at 7,600 feet above sea level, on top of which there is a school. At the bottom of the hill is the Calvas River, which lies between Peru and Ecuador. The Ecuadorian town of Tacamoros can easily be seen from Alto de la Laguna. Petty trade is common among these two communities: Peruvians trade their agricultural produce for the agro-industrial products to Ecuador. Peruvians also go to Tacamoros for health services and medicines and Ecuadorian children attend the school of Alto de la Laguna.

When the USAID-funded FRONTERA project started, the community decided that a new one-classroom school was its first priority. The existing one, constructed more than 20 years ago, had no windows, and thus no light or ventilation. People said that an improved facility would be important for a new way of life for their children, and thus they worked to get it. CARE and the Ayabaca municipality provided technical assistance and financed the construction materials needed, but they could only deliver the materials up to the point the truck could travel. From there, the community carried out these materials by mule or in their own arms uphill to the site, walking uphill for two hours through a steep trail. They did all this during the raining season.

On dedication day, it was the first time for Manuel Otero, the mayor of Ayabaca province, to visit Alto de la Laguna, and also the first time for Alto de la Laguna to receive a mayor. That day, in front of the new school, the community praised its efforts and became aware that it had all made been possible by working together. People had participated not only by providing labor, but also in decision-making and managing the activity's funds through a local committee. The president of the committee stated that an added result of this project was that the community had rediscovered the importance of an ancient practice of communal work.

USAID is working. In addition, the Binational Fund for Peace provided complementary funding to upgrade infrastructure works in some communities and expand the works in others. Moreover, the implementing agency, CARE/Peru, has been coordinating border activities with CARE/Ecuador and has sponsored workshops with the participation of Ecuadorian municipalities that border Ayabaca.

The Special Objective # 7 (SpO7) directly contributes in target border areas to the achievement of the USAID/Peru Goal of **promoting the expansion of sustainable opportunities for improved quality of life through democratic processes and institutions**. The SpO7 strategy relies on democratic processes, such as participation in local decision-making, good governance, respect for human rights, transparency and accountability throughout its interventions. It also seeks to strengthen local governments and other local institutions by assisting them to be more responsive to the border population needs. Through improving the capacities of the border population to achieve a healthier, more productive life along with an increased respect and protection of their rights, it is contributing to expand their opportunities for an improved quality of life. The emphasis on the participation of all stakeholders, a conscious environmental stewardship, and the focus on human capacity development ensures that opportunities will be sustainable after the SpO is achieved.

#### **A Linkages to USG, Summit of the Americas, Agency and Host Country Goals**

<b>USG National Interests/ Strategic Goals</b>	NS National Security RS Regional Stability
<b>Summit of the Americas</b>	II. PRESERVING AND STRENGTHENING DEMOCRACY, JUSTICE AND HUMAN RIGHTS Building Confidence and Security among States
<b>Peru Mission Performance Plan (MPP)</b>	Promoting regional security, supporting counter-terrorism efforts, concluding an extradition treaty and boosting GOP support for US position on bilateral and multilateral issues.
<b>Agency Framework- Primary Link</b>	BROAD-BASED ECONOMIC GROWTH AND AGRICULTURAL DEVELOPMENT ENCOURAGED 1.3 Access to economic opportunity to the rural and urban poor expanded and made more equitable.
<b>Agency Framework- Secondary Links</b>	6.1 The potential impact of crisis reduced
<b>Government of Peru-Binational Plan</b>	<ul style="list-style-type: none"> <li>- Foster the productive and social development of the border region, consistent with the protection of the environment.</li> <li>- Preserve the identity and cultural values of the indigenous groups while improving their living standards.</li> <li>- Strengthen the institutions involved in the productive and social development in the region.</li> </ul>

#### **B. Development Challenge**

The Peru-Ecuador border region, as defined in the Agreements, comprises 129 districts in the departments of Loreto, Amazonas, Cajamarca, Piura, and Tumbes, and on the Ecuadorian side, 68 cantons located in the provinces of El Oro, Loja, Zamora, Morona, Orellana, Pastaza, Sucumbios, and Napo. The region embraces an area of 403,342 km<sup>2</sup> (10% coastal, 5% highland, and 85% jungle). It is estimated that 20% of the soils are appropriate for agriculture, 10% for pastures, 65% for forestry and protection, and the remaining 5% are barren. The border region is home to approximately 4.5 million people. Of this total, 2.3 million live in rural areas.

There are 2.9 million people living on the Peruvian side of the border region, of which 1.6 million live in provinces<sup>20</sup> actually bordering Ecuador. Poverty in the border provinces became worse as a result of past conflicts, resulting in levels above the national average. In the case of Peru, most of the border provinces are among the poorest of Peru and exhibit conditions of severe to extreme poverty, although these conditions vary with the geographic location. The urban population is concentrated in the coast, while the rural population is dispersed. Conditions are most severe in the isolated eastern jungle areas, followed by the highlands, while the coastal districts have relatively greater access to basic services (e.g., electricity, communications, water, transportation, education, etc.) and markets, and thus, are in a better position to take advantage of development opportunities.

Almost the entire rural population in the eastern jungle areas of Amazonas (Condorcanqui and Bagua) and Loreto is engaged in subsistence farming, fishing and hunting, although communities near the Napo, Tigre and Pastaza rivers in Loreto carry out some trade with Ecuadorian communities. In the upper jungle area of Cajamarca (San Ignacio) and rural coast and highlands of Piura (Lancones, Ayabaca and Huancabamba), most of the population is engaged in subsistence agriculture, although cash crops (mainly coffee) are grown and marketed by small farmers. These border communities also trade their agricultural products for manufactured ones from Ecuadorian border communities to meet their basic consumption needs. Coastal areas (Tumbes and Zarumilla) are more involved in commerce-related activities with the rest of the country and with Ecuador.

Lack of access to clean water, sanitation and proper solid waste management represent serious problems in both rural and urban areas of the border region. Basic infrastructure is almost nonexistent in rural areas. Infant and child mortality and child malnutrition rates are high. Primary and secondary school graduates are not prepared to take care of themselves, earn a living in their environment, or contribute to their communities. Improvements in these and other conditions are key to achieving stability.

Women, particularly in rural areas, have little access to the few opportunities offered there due to their inability to take advantage of education activities. Years of school completion range between 2.5 years for women in rural jungle areas to 4.5 years for women in the highlands. There are many other problems as well, including lack of livelihood alternatives, family abuse, and isolation from the community.

There is lack of knowledge about basic human rights and how to exercise them among the border population. Particularly, women and native community people have to deal with frequent violations of their human rights with limited support from government and non-government institutions because of the scarcity --or absence-- of effective mechanisms for protecting and defending their rights in the border area. Women and indigenous people, particularly in jungle areas, also suffer from justice system discrimination and routine curtailment of human and legal rights. Access to justice and personnel identification is too difficult due to the fact that authorities and services are basically located in urban areas and are non-existing in remote villages. Domestic violence and child abandonment are also frequent problems. Lack of knowledge of basic rights makes it difficult for these people to exercise their rights properly.

One characteristic of the Peruvian rural border area is that it is home to almost half of the Amazonian indigenous populations of the country (Aguaruna, Huambisa, Achuar, Secoya, Quichua and others). These communities, which are extremely poor, maintain their own ethnic and cultural identity, are isolated from the market economy, and live off the land (hunting, fishing, and farming). Female illiteracy rates are as high as 92%, there is an average of 10

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<sup>20</sup> "Provinces" in Peru are a sub-division of a department. The area of border provinces is smaller than the border region defined in the Peace Accords, which comprises whole departments.

children per family, and infant mortality rates range from 114-140 per thousand live births. Reliance on "survival strategies" such as deforestation, shifting cultivation, and settlement in indigenous areas has generated a host of environmental, social, and ethno-cultural problems. These lifestyles are, however, a response to the impoverished situation faced by the majority of the border inhabitants.

### Peru Border Provinces Basic Data

Department Province	Geographic Region	Province Population 1999	% Rural Pop.	Population in border districts (1999)	Indigenous Population 1993	Population Density	Accessibility	Poverty ranking '96 (out of 188 provinces)	Infant Mortality Rate ('96)	% children <5 age with chronic Malnutrition ('96)	1993 Chronic malnutrition (border districts)	Births assisted by health workers ('96)	Years of school of women ('96)	% households without access to safe water	% Children 6/12 years without attending school
<b>Tumbes</b>	Coast														
<b>Zarumilla</b>		35,265	14.5	19,847	-	Hi	Hi	143	45	16.6	31.0	83.3	8.1	27.0	15.9
<b>Tumbes</b>		138,105	9.8	14,102	-	Hi	Hi	159	42	14.2	26.5	78.6	8.7	22.0	8.8
<b>Piura</b>															
<b>Sullana</b>	High-lands	251,003	11.9	11,670	-	Hi	Hi	152	41	21.5	38.1	76.3	7.7	28.2	12.2
<b>Ayabaca</b>		135,821	90.7	51,894	-	Med	Med	17	66	39.6	70.4	3.8	3.8	69.0	24.9
<b>Huancabamba</b>		123,783	89.3	11,528	-	Med	Med	36	74	41.6	73.9	14.9	3.6	73.4	18.4
<b>Cajamarca</b>	Jungle														
<b>San Ignacio</b>		132,037	89.6	84,656	-	Med	Med	77	59	44	74.4	10.5	3.8	72.4	17.3
<b>Amazonas</b>															
<b>Bagua</b>		93,462	60.4	29,994	15,277	Med	Med	112	49	28.3	63.7	25.9	4.8	52.7	18.1
<b>Condorcanqui</b>		38,809	91.0	38,809	27,309	Lo	Lo	3	75	32.5	73.2	9.5	2.5	91.7	27.3
<b>Loreto</b>															
<b>Alto Amazonas</b>		146,110	57.5	17,787	29,894	Lo	Lo	49	70	38.9	64.3	23.2	4.3	57.5	20.5
<b>Loreto</b>		62,910	75.7	11,258	8,100	Lo	Lo	55	71	45	74.4	15	4	78.8	15.2
<b>Maynas</b>		492,577	27.0	21,023	14,927	Lo	Lo	135	52	31.7	52.4	52.7	7	29.5	16.1
<b>Total Border Provinces</b>		1,649,882		312,568	95,507										

Source: Cuanto S.A., *Perú en Números 1999-2000*. UNICEF-INEI, *Peru 1997 La Salud de la Niñez*. UNICEF-INEI, *Peru: La población de las comunidades indígenas de la Amazonía*.

The border region is also rich in biodiversity and natural resources that need to be managed in a sustainable manner. However, local and regional development has been difficult, particularly in the isolated and marginalized highlands and jungle areas. Local governments are weak and unable to meet the needs of the average citizen. The problem is further exacerbated by lack of effective decentralization of national government services in the area, especially in health and education. Moreover, the generally uncertain situation of the border region has discouraged private investment.

Jungle areas present an additional problem in terms of the potential risk for internal conflict, due to a combination of historical and cultural factors and current expectations regarding colonization by non-indigenous settlers. In the former conflict zone, the situation is exacerbated by a shrinking land base for the indigenous peoples, and planned new roads that will increase access to the area bringing threats of environmental degradation. Furthermore, isolation of the eastern Amazonian region and lack of national attention and communication over a protracted period of time have generated some resentment toward the Peace Accords, especially with respect to establishment of two Ecuadorian trade centers in Peru's territory. Poor communication, repeated "misinformation" on the peace process from official and non-official

sources alike and extreme poverty have exacerbated these feelings. There is a need to reduce tensions from real or perceived threats and to promote reconciliation, dialogue, and cross-border understanding for a successful consolidation of peace.

## **C. Results Framework**

### **Strategic Objective Rationale**

The rationale behind the strategy is that for enduring peace between Peru and Ecuador, effective border integration is needed. The development hypothesis is that if the basic living conditions are improved and sustainable broad-based development is promoted on both sides of the border, then border integration will be facilitated and the prospects for a lasting peace enhanced. USAID/Peru believes that the requisite improvements in the quality of life of Peruvians along targeted border areas can be achieved through an increased capacity of border communities to manage border development processes; improved basic capacities for a healthy and productive life; increased respect and protection of the rights of border population, particularly those of women and indigenous people; and increased support to the Peace Accords.

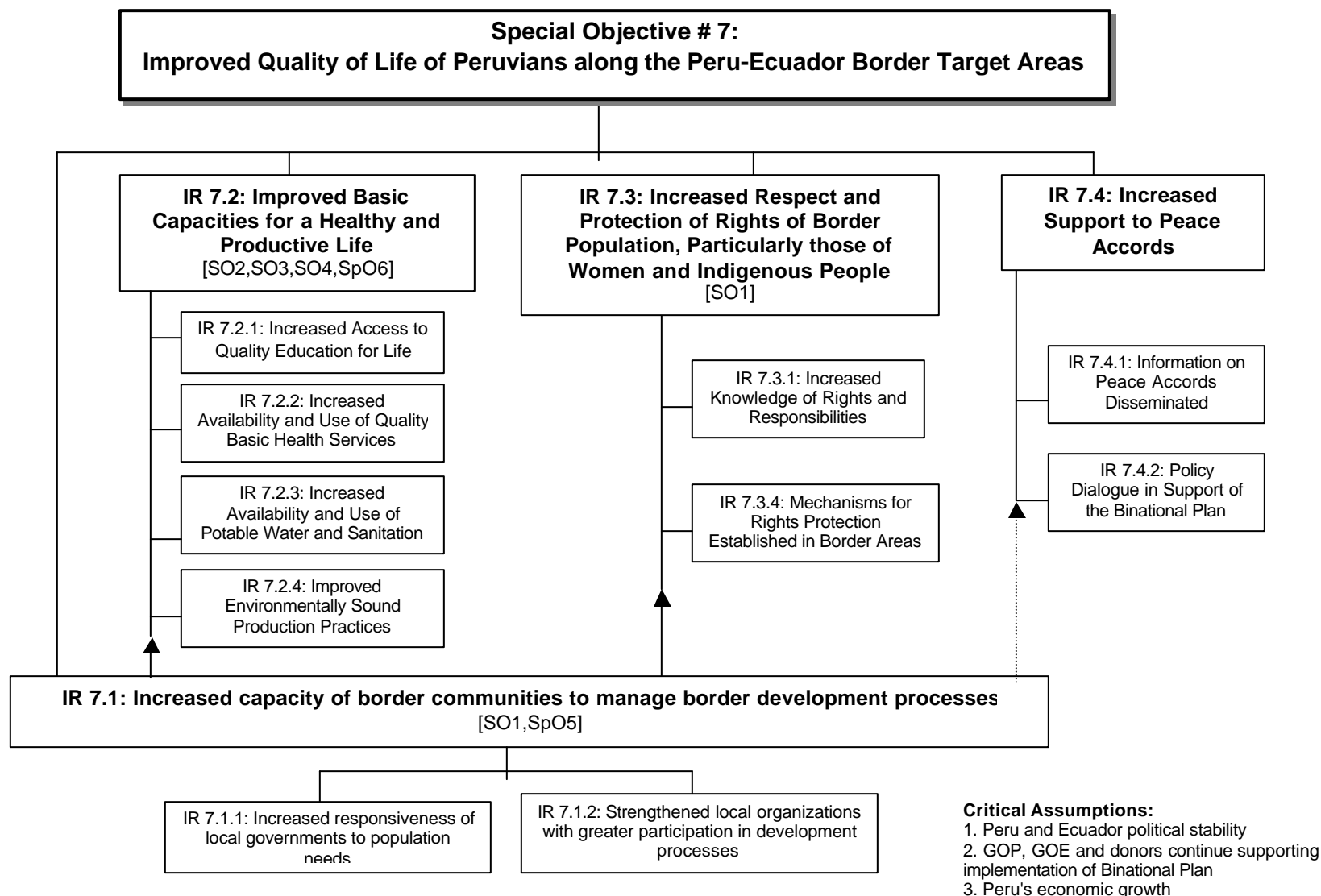
Given the USG's desire to show support for the consolidation of the peace process, USAID/Peru has analyzed: (i) the objectives, constraints and opportunities facing implementation of the Binational Plan; (ii) USAID/Peru's successful experiences to date; and (iii) the levels of expected resources. Based on those considerations, the SpO will target its interventions on those border districts situated in rural areas that have the major developmental challenges as well as the opportunities as result of the Peace Accords; are unlikely to receive other donor support in the short-term due to their isolation; represent a higher risk for potential internal conflict; and where USAID's assistance could have high impact and facilitate leveraging other donor resources. Hence SpOs will focus heavily on border provinces of the upper and eastern jungle (San Ignacio, Bagua, Condorcanqui, rural Maynas) and highlands (Huancabamba, Ayabaca and Lancones district), reaching nearly 300,000 people of the border region, a third of whom are indigenous. In addition, strategic interventions are also planned for major urban centers in the border region, such as Tumbes, Iquitos, Piura and Jaen.

### **Intermediate Results**

The following four Intermediate Results (IRs) have been identified as being critical to achieving SpO7 and contributing to the goals of the Binational Plan. The four IRs are closely related to one another and together comprise an integrated effort to address the most serious constraints for improving the quality of life of populations in targeted highlands and jungle border areas. Enough resources are concentrated in those target areas to ensure achievement of each result as measured by the indicators shown in the Results Framework.

SpO7 will use integrated approaches that foster participation in all stages of implementation. Interventions at the field level will be tailored to the needs and priorities of the men and women in the target areas, respecting indigenous cultures and the environment. Equality and non-discrimination will be considered in all stages of implementation. The SpO will also foster the establishment of multi-sectoral networks and strategic alliances (e.g., among municipalities, central and regional government institutions, NGOs, churches, communities and indigenous organizations).

Figure 8: SpO7 Results Framework



Interventions described below have been modeled after lessons learned in current successful USAID/Peru activities<sup>21</sup>, including other strategic objective activities in the border, e.g. food security; human rights; agricultural development; infectious diseases and child survival; and natural resources management plans. Thus, providing the technical feasibility of these interventions to achieve the proposed results.

### **IR 7.1 Increased Capacity of Border Communities to Manage Border Development Processes**

This IR directly responds to the problems of both lack of institutional capacity and inadequate participation in development processes. While organizations at the local level are ultimately responsible for the provision and maintenance of essential services (e.g., water and sanitation, access to transportation, community infrastructure), sustainability of these interventions depends upon much more. As noted in the Peace Accords, the border population and their representative entities must become key actors in the activities along the border, thereby promoting development and good neighborliness among its inhabitants.

Efforts will strengthen local governments, including local organizations, by improving their management and implementation capacity to work as a team with effective community participation in the design and efficient allocation and use of resources dedicated to the improvement of infrastructure and services. A strengthened local capacity will facilitate the development and implementation of Binational Plan investments in the region. It will also establish the foundation for enhanced local participation in the development of natural resource management plans contemplated in the Binational Plan. The participation of women in all the stages will be promoted. SpO7 will thus promote democratic values and practices, including good governance, at the local level. Good governance practices and government institutions with sound and adequate participatory procedures at the local level will help ensure success.

#### **Illustrative Activities**

Interventions envisioned for the achievement of this IR are based on the successful experience of USAID/Peru's Local Government Development project. Approaches will include a combination of technical assistance and training at various levels of local organizations in a complementary manner with activities under the other IRs. Training and technical assistance to organizations, with an emphasis on local governments, will focus on financial management and administration, effective popular participation, gender considerations, self-governance, strategic alliances, and consultative processes. They will develop the capacity to produce sound community-based project proposals and plans along with the ability to manage and monitor them. To the extent possible, synergies with USAID/Ecuador's local government development interventions will be sought (e.g., training events, workshops, exchanges, visits).

Interventions under this IR will also contribute to the achievement and sustainability of IR 7.2 and IR 7.3. Skills and processes acquired through these interventions will be applied to the development, implementation and monitoring of: community based services planned under the other IRs, such as human rights protection, information campaigns, potable water and sanitation, small-scale marketing, transportation, health and education; the maintenance of any associated infrastructure or physical facilities, etc.; and forestry management plans. In a later stage of the SpO implementation, a "second round" of community projects could be funded under a competitive bidding process among the target communities to further assess their skills.

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<sup>21</sup> Includes the FRONTERA activity, which has been successful in providing small community basic infrastructure, while strengthening local capacity to implement and manage them.

One specific outcome of the SpO in the jungle areas will be the participation of the targeted indigenous populations with the National Institute for Natural Resources (INRENA) and other international NGOs involved in the design of management plans for new protected areas, such as communal and forest reserves. Close coordination with Ecuador will be carried out for those management plans affecting both sides of the border.

### **IR 7.2 Improved Basic Capacities for a Healthy and Productive Life**

Given the extreme poverty of the targeted population, activities under this IR will enhance the capacity of the people themselves to improve their standard of living, facilitate their own development and that of future generations. Through education for life interventions, coupled with small-scale infrastructure, border people will be provided with the basic tools to improve their living conditions and thus their quality of life. The education interventions will be in the areas of health, nutrition, basic education (especially for girls), and environmentally sound food production practices. Where necessary, these interventions will be complemented by the provision of adequate education, health, water and sanitation infrastructure.

#### **Illustrative Activities**

Interventions to achieve this IR will be centered on the provision of quality education for life, not only in the formal school setting, but also in the community. The educational content will be bilingual, gender sensitive, and inter-cultural in nature, with elements targeted on key aspects of a healthy and productive lifestyle. The content will include skills essential for improved health and nutrition, agro-forestry management (including soils, water, crops, etc.), improved sustainable agricultural production practices, and, in some cases, off-farm skills.

Health and basic education interventions will be closely coordinated with GOP local health and education institutions and will foster strong community involvement. These interventions will be complemented with activities designed to provide the appropriate basic community infrastructure, such as potable water and sanitation, adequate classroom and health facilities, using local cultural practices. They will also entail training of community teachers and health promoters and use of radio for dissemination of educational information in the areas of health, prevention and control of infectious diseases, farming, and environmental management. Specific technical assistance and training in market-oriented productive interventions will be provided if conditions exist for their success and sustainability (i.e., effective demand, transportation infrastructure, economic potential, local capabilities) in selected areas, such as in the Piura highlands. To the extent possible, interventions will seek opportunities for synergies with USAID/Ecuador's efforts in border communities, particularly those related to health services and community infrastructure in the Loja province (e.g., health training activities and environment).

### **IR 7.3 Increased Respect and Protection of the Rights of Border Population, Particularly Those of Women and Indigenous People**

This IR responds to the stated principle of the Peace Accords that the promotion, respect and protection of human rights is a necessary factor to achieve border integration and satisfy the interests and aspirations of both Peruvians and Ecuadorians. Interventions will increase the border population's awareness of their rights and responsibilities, both individual and collective, including participation in local governance and decision-making processes, while also establishing mechanisms for the protection of those rights. The primary focus will be on women and indigenous people.



### Illustrative Activities

This IR will be achieved through the training of human rights promoters, patterned after the successful USAID/Peru human rights activities. Interventions will include: information campaigns dedicated to raising levels of awareness by men and women, increasing the sensitivity of local authorities to local needs, and fostering community networks for the promotion of human rights services and other actions, such as civil registration and identification. Special activities could include programs to protect the rights of indigenous populations, including their rights to control the use of natural resources; programs to counter domestic violence and to further protect the rights of women and children; and training of justices of the peace in natural resources management legislation.

### **IR 7.4 Increased Support to the Peace Accords**

Consolidation of the Peace Accords and promoting lasting peace means changing attitudes of people. This IR responds to the need to develop a culture of peace, particularly in areas where there is some resentment towards the Peace Accords and a potential for internal conflict (i.e., Loreto and Condorcanqui), which will in turn affect the quality of life of the people. Activities under this IR will promote a wider understanding of the Peace Accords, promote policy dialogue, and facilitate binational initiatives and cross-border linkages in support of the implementation of the Binational Plan.

### Illustrative Activities

This IR will be achieved through the promotion of inter-cultural and cross-border linkages between the peoples of Peru and Ecuador and between the indigenous and non-indigenous communities of the area. Efforts will include: public information on the Peace Accords through mass media; short-term university and other exchange initiatives on technology and practices related to health, agriculture, forest management; binational conferences, seminars, workshops directed at enhancing a mutual understanding between the two countries, and particularly between major cities (i.e., Iquitos and Guayaquil); and awareness campaigns to promote the growth of peace and understanding between diverse groups (e.g., Ecuadorian Shuars and Peruvian Aguarunas and Huambisas.)

Interventions will also include policy dialogue with local, regional, and national institutions, as well as other stakeholders, to facilitate border integration initiatives and donor coordination in support of the implementation of the Binational Plan. Due to the nature of this IR, some of these interventions could be implemented in major cities outside the targeted border areas (e.g., in Tumbes, Piura, Iquitos, Jaen, or Lima). Efforts under this IR will be closely coordinated with the Peruvian Executive Directorate of the Binational Plan, and to the extent possible with USAID/Ecuador.

### **D. Proposed Performance Measurement**

Success in achieving the SpO will be measured through indicators regarding improvements in basic capacities and services received by inhabitants in target communities. At the IR level, indicators of success are specific to the interventions envisioned. Baseline assessments will serve as benchmarks against which to measure progress under relevant performance and program result indicators. The following is an illustrative performance monitoring framework that will be refined once implementation starts.

<b>Illustrative Performance Measurement</b>	<b>Illustrative Targets</b>
<b>SpO7: Improved Quality Of Life Of Peruvians Along The Peru-Ecuador Border Target Areas (1)</b>	
1. % of households with two or more unsatisfied basic needs.	<b>Baseline</b> (1993): 62% <b>Target</b> (2006): At least a 25% improvement.
2. Girls' 4 <sup>th</sup> grade completion rate	<b>Baseline</b> (1998): 40% <b>Target</b> (2006): 61% (the 1998 rate for boys completing 4 <sup>th</sup> grade)
3. Chronic Malnutrition Rates (%)	<b>Baseline</b> (1996): 37.7% (border districts average) <b>Target</b> (2006): At least 20% decrease.
4. % of citizens with knowledge of their basic rights	<b>Baseline</b> (2000): TBD <b>Target</b> (2006): At least 20% increase.
<b>IR 7.1: Increased capacity of border communities to manage border development processes</b>	
1. % of local governments with annual budgets and plans for development activities elaborated with citizen participation (2)	<b>Baseline</b> (2000): TBD <b>Target</b> (2006): At least 95%
2. % of women participating in decision making processes	<b>Baseline</b> (2000): TBD <b>Target</b> (2006): At least 25%
<b>IR 7.2: Improved basic capacities for a healthy and productive life</b>	
1. % change in environmentally sustainable agricultural returns	<b>Baseline</b> (2000): TBD <b>Target</b> (2006): At least 50% increase.
2. Girls' net enrollment rate in primary school	<b>Baseline</b> (2000): TBD <b>Target</b> (2006): At least 30% increase
3. % of births attended by trained health personnel	<b>Baseline</b> (1996): 25% <b>Target</b> (2006): At least 40% increase from 2000 base
4. # of targeted communities with access to quality basic services	<b>Baseline</b> (2000): TBD <b>Target</b> (2006): At least 1,000
<b>IR 7.3: Increased respect and protection of rights of border population, particularly those of women And indigenous people</b>	
1. # of mechanisms for the protection of fundamental rights operating	<b>Baseline</b> (2000): TBD <b>Target</b> (2006): At least one mechanism should exist in each of the provincial capitals and district capitals of target area
2. % of targeted communities with active human rights promoters	<b>Baseline</b> (2000): TBD <b>Target</b> (2006): At least 95%
<b>IR 7.4: Increased support to Peace Accords</b>	
1. Percentage of people that support Peace Accords	<b>Baseline</b> (2000): TBD <b>Target</b> (2006): At least 80% support for the Peace Accords

**NOTES:**

(1) Baselines and targets are illustrative only and are referred mostly to the border provinces in the jungle. Implementing Organization (IO) will refine indicators, baselines and targets with the results of site specific assessments. Qualitative data and data for process indicators will also be monitored.

(2) Once plans are developed, indicators should measure participation in the implementation of those plans.

TBD = To be determined.

## **E. Critical Assumptions**

An important cross-cutting assumption is that donors will support the Government of Ecuador (GOE) and GOP efforts to implement the Binational Plan within the expected timeframe and resources. Based on this assumption, investments in major infrastructure will provide opportunities for greater market access, private sector investments, and thus income generating opportunities. Other assumptions are that development of the border region will continue as part of the GOE and GOP agendas, and that political stability in both countries will facilitate cross-border activities. Another assumption is that GOP policies regarding social services and social safety-net investments will continue to focus on the root problems that cause poverty and to provide support with resources for social investments. In this way, GOP complementary resources (mainly through the regional facilities of the MOH and MOE) will be devoted to improve the quality of life of border populations. At this time it is unpredictable whether Plan

Colombia and the activities evolving in both the Peru and Ecuador borders with Colombia will have any effect on SpO7 Program implementation process.

## **F. Program Synergies**

There are solid linkages between SpO7 and other SOs due to its multi-sectoral and integrated approach. SpO7 will contribute to *strengthening democratic processes in critical areas* (SO1) by strengthening the capacity of civil society to promote more democratic practices and to foster state and civil society partnerships in the targeted border areas, specifically in local government, access to justice, and protection of human rights.

It will also improve the capacities of targeted border populations to be in a better position to take advantage of the *economic opportunities for the poor in selected common economic corridors* (SO2), that are common, such as Jaen. Through community participation, actions with local MOH establishments, health education and other interventions (e.g. potable water and sanitation), SpO7 will also contribute to *the improvement of health for Peruvians at high risk* (SO3) in border areas. At the same time, SO3 efforts and lessons learned to improve the delivery of quality basic health services will guide the SpO7 results in common sites. *Expanded opportunities for girls' quality education* (SpO6) in border areas, will be achieved using SpO6 methodologies to improve basic education in rural areas.

By increasing the capacity of border communities to manage development processes, SpO7 will also be contributing to *strengthening the local capacity to address priority environmental problems* (SO4), particularly in natural resources protection. Through education for life activities, environmental awareness will also be increased.

Finally, an improvement in the quality of life of border populations will help prevent them from being involved in illicit coca and poppy production activities. Some of the border areas are at high risk for coca or poppy production due to their poverty, isolation and proximity to trafficking routes. Collaboration with SpO5 will be essential.

## **G. Contribution to Conflict Prevention**

Potential for armed conflict in the border region has been radically reduced with the Peace Agreement. However, the region is still vulnerable to other types of conflict. The Binational Plan contemplates large investments in two axis roads in the Amazonian border region. In Condorcanqui, the former zone of conflict (Cordillera del Condor), there is high anxiety over the two highway links to Ecuador and the West, due to colonization and environmental threats. The security of the indigenous population, has been gradually eroding under the pressure of a shrinking land base and a deteriorating natural environment, grinding poverty, isolation and the slow but relentless flow of colonization into the region. The potential is relatively high for conflict, both internally, with the growing mestizo community, and externally, with the Ecuadorian indigenous population, colonists and others looking for land, wood, gold, oil and other resources.

In Loreto, there is strong resentment toward the Peace Accords, and anxiety is high over the perception of potential for commercial invasion via Ecuadorian outposts. Fear and anger are compounded by isolation, poor communication, repeated "misinformation" from official and non-official sources alike and poverty. These are those who have made opposing the Peace Accords a political platform for the recent elections.

By improving the quality of life of border population, the SpO7 will contribute to address the aforementioned sources of conflict in target areas. Activities also expect to reduce the tension

level from real or perceived threats in both of these areas and to promote reconciliation, dialogue, and understanding in a cross-border context, as well as with the central government.

## **H. Commitment and Capacity of Development Partners**

Consultations were held with stakeholders, including GOP's Peru-Ecuador Integration Commission, other national government agencies, NGOs, the US Embassy, the principal donors, and customers.

**GOP Partners.** The Peru-Ecuador Binational Development Plan for the Border Region consists of a joint strategy for integrating the borders economically, accelerating their development, and overcoming the poverty of the region while demonstrating to the two nations that peace, understanding, and cooperation are the best means to achieve well-being for present and future generations. The Plan is comprised of two main parts: relatively small programs (productive and social infrastructure) and large-scale programs requiring considerable investment (binational development projects, projects to promote private sector investment, and some social and productive infrastructure projects). The Binational Plan calls for approximately \$3 billion over the 2000-2009 period. The Governments of Peru and Ecuador plan to contribute a total of \$100 million and have asked for \$2.9 billion from the international community and from Peruvian and Ecuadorian private investors.

During 1999-2000, the GOP increased the resource allocation to the border region and has started special programs in order to improve the provision of basic services (e.g., education and health). In addition, it has allocated \$3 million for community development projects in border areas, mostly in SpO7 target areas in the upper and eastern jungle and in the highlands.

The SpO Team will maintain a close relationship with the Peruvian Chapter of the Binational Plan for coordination and information sharing, particularly to secure the participation and commitment of sectoral GOP institutions in the target areas and to help target interventions.

**Other Donors.** The first Peru-Ecuador Consultative Group meeting in March 2000 was successful in getting support from countries and international donors for the implementation of the Binational Plan. In terms of loans, mainly to develop the large-scale programs of the Binational Plan, \$1.2 billion has been offered by the multilateral agencies. The Inter-American Development Bank (IDB) and the Corporación Andina de Fomento (CAF) have indicated their intention to provide \$500 million each, while the World Bank has announced its intention to make available \$200 million. In terms of non-reimbursable grant pledges for binational border development, donors pledged \$173 million, including \$42 million by the USG. The information that currently exists is still preliminary, but the following pledges have been reported:

- Japan (\$35m) is interested in supporting health and potable water projects and an international bridge in the coastal area of Tumbes or Piura.
- Germany (\$14m) is planning to work in forest and environmental management along the Morona and Pastaza river basin.
- Spain (\$5m) has offered to finance, through the Spanish Agency for International Cooperation (AECI), an integrated development program for the Catamayo-Chira river basin, and, through Spanish NGOs, health activities in Ayabaca and binational activities for municipal development and commerce.
- Italy (\$5m) is interested in supporting health activities in Morona-Pastaza (and possibly Huancabamba), and microenterprise development activities.
- Finland (\$2m – possibly in cooperation with Sweden) will send a mission to Rio Napo to assess its investment in ecological economic zoning, health/education and forestry.

- The European Union is analyzing its support for the development of one of the axis roads in the Tumbes-Machala area.
- The World Bank, through the Global Environmental Facility (GEF) Trust Fund, may support the development of land use plans and native community organizations in two protected areas on the border: Santiago-Comainas, and Gueppi.
- The World Food Program (\$4m) is interested in supporting food for work activities in productive projects, potable water, and community gardens. Possible areas include Ayabaca.
- UNICEF has a small ongoing program in Condorcanqui dedicated to education and health activities.

Because the above funding levels are only indicative USAID's efforts will not be dependent on other donor assistance. Yet, we will continue to coordinate our program with other donors and with the Binational Commission to achieve greater impact from our investments. Particularly important will be coordination with UNICEF and AECI for bilingual education; the World Bank/GEF for environment; GTZ and Canada for agricultural practices; and Japan for potable water.

## **I. Customers**

A broad range of customers, partners and stakeholders were consulted for the development of this SpO. The USAID/Peru Border team conducted rapid appraisal assessments in communities along the border area to determine the particular needs of our customers and to capture a more complete picture of the social, economic, cultural, and political environment of the target areas in the border region. Town meetings, focus groups, and individual interviews were held with local, regional and sectoral central government officials, national and international NGOs, churches, academic institutions, indigenous associations and grass roots community organizations in the border region. The assessment includes the views of diverse groups of people in the border region, including women and indigenous groups.

Gender issues will be addressed through the different interventions. SpO7 will promote women's access to decision-making processes at the community and district level, as well as their participation in community based organizations. Likewise, services particularly addressed to women will be provided for protecting and defending their basic human rights and overcoming the particular obstacles that women face in the border area. Intermediate results focused on women will improve the current relative lower status of women in the border region, and women's role in community development will be ensured. Achievement of these results is crucial for the SpO as they affect half of target population.

## **J. Sustainability**

Sustainability is at the core of the SpO implementation strategy, and is based on the participation of all local actors in the development of community and individual capacities. This participation will ensure that interventions will continue providing services to beneficiaries after the program ends. Interventions under IR 7.1 (such as training and technical assistance to local governments and other organizations) will contribute to the achievement and sustainability of IR 7.2 and IR 7.3.

Participation will be promoted at both community and institutional levels, through active participation and sharing of resources by all stakeholders. Services provided through public sector institutions (e.g., MOE, MOH) during the strategy implementation will also be strengthened by incorporating beneficiary participation in planning and implementation of basic services. It is expected that institutional arrangements will be made to continue this process and ensure programmatic sustainability of results.

**PART III:  
RESOURCE REQUIREMENTS**

## **A Introduction**

USAID/Peru's Strategy for the planning period FY 2002 - FY 2006 will rely substantially on the availability of the \$513 million DA, CS, ESF and P.L. 480 food assistance resources to support activities under seven Mission Strategic and Special Objectives.

DA and ESF funding for the FY 2002 – FY 2006 Strategic Planning period reflects careful targeting of projected resources within each strategic objective and is consistent with LAC Bureau guidance.

DA and ESF levels have been presented in three scenarios: one at the Mission's base request level; another at a 10% reduction from this base; and the third at a 10% addition from the base. The Mission has distributed these resources taking into consideration not only earmarks or Congressionally mandated activities, but also the priority of its SOs under each funding scenario, and estimated expenditure rates of proposed activities to support the achievement of each SO.

As indicated under each SO, close donor coordination is a key element in carrying out the USAID proposed plan. The World Bank, IBRD, IDB, IMF, several bilateral donors (Japan, Spain, Germany, Canada, European Union), as well as GOP and NGO partners, are providing substantial resources to Peru in areas which are being assisted by USAID. USAID will leverage additional resources and technical expertise to more effectively and efficiently achieve common objectives. Under each SO narrative, the analysis identifies the effects that each budget scenario will have on achieving the objective.

The Mission requests \$513 million (Table III.1A) in combined development assistance, child survival, economic support and P.L. 480 resources to achieve the broader goal of promoting the expansion of sustainable opportunities for improved quality of life through democratic institutions and processes. A reduction below this level will seriously impede the Mission's ability to help Peru build a participatory democracy and modern state, reduce poverty and illicit coca production, expand health and family planning services, protect the environment, and better manage the country's natural resources, expand quality education for girls and consolidate the peace process in the Peru-Ecuador Border.

**PROGRAM RESOURCE REQUIREMENTS BY OBJECTIVE BY FISCAL YEAR**  
**(Base)**  
**(US\$000)**

**TABLE III.1A**

	FY 2002 R4 Level	FY 2003 Base	FY 2004 Base	FY 2005 Base	FY 2006 Base	Total FY 02-06	Add. To SO Completion	Total SO
SO1 – Democratic Processes and Institutions Strengthened in Critical Areas								
Development Assistance – Mission	3,100	3,100	3,100	3,100	3,100	15,500	15,500	31,000
ESF	8,000	8,000	8,000	8,000	8,000	40,000	25,000	65,000
Total SO1	11,100	11,100	11,100	11,100	11,100	55,500	40,500	96,000
SO2 – Increased Economic Opportunities for the Poor in Selected Economic Corridors								
Development Assistance – Mission	6,850	6,850	6,850	6,850	6,850	34,250	14,000	48,250
PL 480 Title II	25,000	25,000	20,000	20,000	10,000	100,000	20,000	120,000
Total SO2	31,850	31,850	26,850	26,850	16,850	134,250	34,000	168,250
SO3 – Improved Health for Peruvians at High Risk								
Development Assistance – Mission	12,100	12,800	13,300	13,800	14,300	66,300	65,000	131,300
Development Assistance – Global	3,900	3,200	2,700	2,200	1,700	13,700	10,000	23,700
Child Survival – Mission	9,300	9,500	9,500	9,500	9,500	47,300	50,000	97,300
Child Survival – Global	200	-	-	-	-	200	-	200
Total SO3	25,500	25,500	25,500	25,500	25,500	127,500	125,000	252,500
SO4 – Strengthened Environmental Management to Address Priority Problems								
Development Assistance – Mission	5,000	5,000	5,000	5,000	5,000	25,000	11,422	36,422
Total SO4	5,000	5,000	5,000	5,000	5,000	25,000	11,422	36,422
SpO5 – Reduced Illicit Narcotics Production in Target Areas of Peru								
ESF	30,000	30,000	30,000	25,000	25,000	140,000	50,000	190,000
Total SpO5	30,000	30,000	30,000	25,000	25,000	140,000	50,000	190,000
SpO6 - Expanded Opportunities for Girl's Quality Basic Education in Targeted Rural Areas								
Child Survival – Mission	750	750	750	1,000	1,000	4,250	-	4,250
Child Survival – Global	250	250	250	-	-	750	-	750
Total SpO6	1,000	1,000	1,000	1,000	1,000	5,000	-	5,000
SpO7 – Improved Quality of Life of Peruvians Along the Peru-Ecuador Border in Target Areas								
ESF	5,000	5,000	5,000	5,000	5,000	25,000	-	25,000
Total SpO7	5,000	5,000	5,000	5,000	5,000	25,000	-	25,000
General Program Development and Support	150	150	150	150	150	750	600	1,350
<b>TOTALS</b>	<b>109,600</b>	<b>109,600</b>	<b>104,600</b>	<b>99,600</b>	<b>89,600</b>	<b>513,000</b>	<b>261,522</b>	<b>774,522</b>



**PROGRAM RESOURCE REQUIREMENTS BY OBJECTIVE BY FISCAL YEAR**  
**(High Option +10%)**  
**(US\$000)**

**TABLE III.1B**

	FY 2002 R4 Level	FY 2003	FY 2004	FY 2005	FY 2006	Total FY 02-06	Add. To SO Completion	Total SO
<b>SO1 – Democratic Processes and Institutions</b>								
Strengthened in Critical Areas								
Development Assistance – Mission	3,410	3,410	3,410	3,410	3,410	17,050	13,950	31,000
ESF	20,000	20,000	10,000	10,000	10,000	70,000	-	70,000
<b>Total SO1</b>	<b>23,410</b>	<b>23,410</b>	<b>13,410</b>	<b>13,410</b>	<b>13,410</b>	<b>87,050</b>	<b>13,950</b>	<b>101,000</b>
<b>SO2 – Increased Economic Opportunities for the Poor in</b>								
Selected Economic Corridors								
Development Assistance – Mission	7,535	7,535	7,535	7,535	7,535	37,675	10,575	48,250
PL 480 Title II	25,000	25,000	20,000	20,000	10,000	100,000	20,000	120,000
<b>Total SO2</b>	<b>32,535</b>	<b>32,535</b>	<b>27,535</b>	<b>27,535</b>	<b>17,535</b>	<b>137,675</b>	<b>30,575</b>	<b>168,250</b>
<b>SO3 – Improved Health for Peruvians at High Risk</b>								
Development Assistance – Mission	13,310	14,080	14,630	15,180	15,730	72,930	58,370	131,300
Development Assistance – Global	4,290	3,520	2,970	2,420	1,870	15,070	8,630	23,700
Child Survival – Mission	10,250	10,450	10,450	10,450	10,450	52,050	45,250	97,300
Child Survival – Global	200	-	-	-	-	200	-	200
<b>Total SO3</b>	<b>28,050</b>	<b>28,050</b>	<b>28,050</b>	<b>28,050</b>	<b>28,050</b>	<b>140,250</b>	<b>112,250</b>	<b>252,500</b>
<b>SO4 – Strengthened Environmental Management to</b>								
Address Priority Problems								
Development Assistance – Mission	5,500	5,500	5,500	5,500	5,500	27,500	8,922	36,422
<b>Total SO4</b>	<b>5,500</b>	<b>5,500</b>	<b>5,500</b>	<b>5,500</b>	<b>5,500</b>	<b>27,500</b>	<b>8,922</b>	<b>36,422</b>
<b>SpO5 – Reduced Illicit Narcotics Production in Target</b>								
Areas of Peru								
ESF	33,000	33,000	33,000	27,500	27,500	154,000	36,000	190,000
<b>Total SpO5</b>	<b>33,000</b>	<b>33,000</b>	<b>33,000</b>	<b>27,500</b>	<b>27,500</b>	<b>154,000</b>	<b>36,000</b>	<b>190,000</b>
<b>SpO6 - Expanded Opportunities for Girl's Quality Basic</b>								
Education in Targeted Rural Areas								
Child Survival – Mission	825	825	825	1,100	675	4,250	-	4,250
Child Survival – Global	275	275	200	-	-	750	-	750
<b>Total SpO6</b>	<b>1,100</b>	<b>1,100</b>	<b>1,025</b>	<b>1,100</b>	<b>675</b>	<b>5,000</b>	<b>-</b>	<b>5,000</b>
<b>SpO7 – Improved Quality of Life of Peruvians Along the</b>								
Peru-Ecuador Border in Target Areas								
ESF	5,500	5,500	5,500	4,500	4,000	25,000	-	25,000
<b>Total SpO7</b>	<b>5,500</b>	<b>5,500</b>	<b>5,500</b>	<b>4,500</b>	<b>4,000</b>	<b>25,000</b>	<b>-</b>	<b>25,000</b>
General Program Development and Support	165	165	165	165	165	825	525	1,350
<b>TOTALS</b>	<b>129,260</b>	<b>129,260</b>	<b>114,185</b>	<b>107,760</b>	<b>96,835</b>	<b>577,300</b>	<b>202,222</b>	<b>779,522</b>

**PROGRAM RESOURCE REQUIREMENTS BY OBJECTIVE BY FISCAL YEAR**  
**(Low Option -10%)**  
**(US\$000)**

**TABLE III.1C**

	FY 2002 R4 Level	FY 2003	FY 2004	FY 2005	FY 2006	Total FY 02-06	Add. To SO Completion	Total SO
SO1 – Democratic Processes and Institutions								
Strengthened in Critical Areas								
Development Assistance – Mission	2,790	2,790	2,790	2,790	2,790	13,950	17,050	31,000
ESF	5,000	5,000	5,000	5,000	5,000	25,000	40,000	65,000
Total SO1	7,790	7,790	7,790	7,790	7,790	38,950	57,050	96,000
SO2 – Increased Economic Opportunities for the Poor in								
Selected Economic Corridors								
Development Assistance – Mission	6,165	6,165	6,165	6,165	6,165	30,825	17,425	48,250
PL 480 Title II	25,000	25,000	20,000	20,000	10,000	100,000	20,000	120,000
Total SO2	31,165	31,165	26,165	26,165	16,165	130,825	37,425	168,250
SO3 – Improved Health for Peruvians at High Risk								
Development Assistance – Mission	10,890	11,520	11,870	12,370	12,870	59,520	71,780	131,300
Development Assistance – Global	3,510	2,880	2,530	2,030	1,530	12,480	11,220	23,700
Child Survival – Mission	8,350	8,550	8,550	8,550	8,550	42,550	54,750	97,300
Child Survival – Global	200	-	-	-	-	200	-	200
Total SO3	22,950	22,950	22,950	22,950	22,950	114,750	137,750	252,500
SO4 – Strengthened Environmental Management to								
Address Priority Problems								
Development Assistance – Mission	4,500	4,500	4,500	4,500	4,500	22,500	13,922	36,422
Total SO4	4,500	4,500	4,500	4,500	4,500	22,500	13,922	36,422
SpO5 – Reduced Illicit Narcotics Production in Target								
Areas of Peru								
ESF	27,000	27,000	27,000	27,000	27,000	135,000	55,000	190,000
Total SpO5	27,000	27,000	27,000	27,000	27,000	135,000	55,000	190,000
SpO6 - Expanded Opportunities for Girl's Quality Basic								
Education in Targeted Rural Areas								
Child Survival – Mission	750	750	750	900	900	4,050	200	4,250
Child Survival – Global	150	150	150	-	-	450	300	750
Total SO6	900	900	900	900	900	4,500	500	5,000
SpO7 – Improved Quality of Life of Peruvians Along the								
Peru-Ecuador Border in Target Areas								
ESF	4,500	4,500	4,500	4,500	4,500	22,500	2,500	25,000
Total SpO7	4,500	4,500	4,500	4,500	4,500	22,500	2,500	25,000
General Program Development and Support	135	135	135	135	135	675	675	1,350
<b>TOTALS</b>	<b>98,940</b>	<b>98,940</b>	<b>93,940</b>	<b>93,940</b>	<b>83,940</b>	<b>469,700</b>	<b>304,822</b>	<b>774,522</b>

## **B. USAID/Peru Program Funding Request by Strategic Objective**

### **Strategic Objective # 1: Democratic Processes and Institutions Strengthened in Critical Areas**

The Mission estimates that it will need \$96.0 million in ten years in order to achieve the overriding goal of strengthening democratic processes and institutions in Peru. \$55.5 million will be required during the FY 2002-2006 planning period (Table III.2A). However, this level will not permit the Mission to fully assist the country to achieve decentralization and strengthen the more than 1,800 local governments throughout the country.

Peru is undergoing a major transition from the 1992 *autogolpe* in which the Executive Branch intervened and took control of the other two branches of government and “deinstitutionalized” the key public sector agencies of governance. The recent resignation of President Fujimori and the upcoming elections in 2001, present an unforeseen opportunity for the USG to realize its foreign policy objective of returning Peru to a representational democracy. The GOP, in the face of a worsening economic situation, needs our assistance, both financial and technical, to jumpstart democracy in Peru.

USG accomplishments will depend almost exclusively on GOP political will and the amount of resources we can provide to support reforms in the areas of justice, political party development, electoral reform, local government strengthening, decentralization, human rights, and the media. It is an opportune time for the Mission to design and implement a robust democracy program in Peru.

Taking the above assumptions into account, the high scenario -- \$3.41 million DA plus \$20 million ESF in years one and two and \$10 million ESF annually over (Table III.2B) the next three years-- will enable the Mission to undertake comprehensive justice reform, electoral reform, and decentralization, including replicating the San Martin local government development model to several geographic areas outside the coca growing areas, as well as to continue our focus on human rights, civil society, and political party development.

The base minus 10% option (Table III.2C) will seriously impede the Mission’s ability to achieve the SO, particularly efforts aimed at strengthening local and national government institutions. Our ability to assist in the strengthening of justice sector institutions will be much diminished, as will our efforts to continue to provide much needed continued technical assistance and training to the electoral bodies for a period of time after the 2001 elections. With a reduced funding level, we will be unable to promote rapid implementation of the decentralization process, including development of improved models for local resource generation to enable local governments to achieve financial independence and the establishment of national and regional training facilities to help sustain decentralization activities. At this level, the Mission will only be able to accomplish relatively modest results under each of the IRs, including limited strengthening of the capacity of civil and political society, limited monitoring and citizen awareness related to progress on reforms, and only selected improvements in public sector entities.

USAID/PERU STRATEGIC PLAN 2002-2006  
ESTIMATED PROGRAM BUDGET  
(Base)  
US\$  
TABLE III.2A

(Planning Period)  
2002-2006

		PLANNING PERIOD						2002-2006	
		FY 2000 OYB	FY 2001 CP Level	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	TOTAL
SO1	Democratic Processes and Institutions Strengthened in Critical Areas	3,530,380	11,100,000	11,100,000	11,100,000	11,100,000	11,100,000	11,100,000	55,500,000
	Development Assistance	3,100,380	3,100,000	3,100,000	3,100,000	3,100,000	3,100,000	3,100,000	15,500,000
	A. Ongoing Activities								
	Mission	3,100,380	3,100,000	300,000	300,000	300,000	300,000	300,000	1,500,000
527-0000	Program Development & Support	133,217	80,000	100,000	100,000	100,000	100,000	100,000	500,000
527-0061	Special Development Activities	150,381	200,000	200,000	200,000	200,000	200,000	200,000	1,000,000
527-0394	PARTICIPE	2,816,782	2,820,000	-	-	-	-	-	-
	B. New Activities	-	-	2,800,000	2,800,000	2,800,000	2,800,000	2,800,000	14,000,000
	PARTICIPE (Follow-on)	-	-	2,800,000	2,800,000	2,800,000	2,800,000	2,800,000	14,000,000
	Economic Support Funds	430,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	40,000,000
	A. Ongoing Activities								
	Mission	160,000	8,000,000	-	-	-	-	-	-
527-0394	PARTICIPE	160,000	8,000,000	-	-	-	-	-	-
	B. New Activities	-	-	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	40,000,000
527-0394	PARTICIPE (Follow-on)	-	-	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	40,000,000
	C. Global (GDG/OAS)	270,000	-	-	-	-	-	-	-
936-SS02	CEPPS (NDI/Carter Center)	85,000 *	-	-	-	-	-	-	-
	OAS	185,000	-	-	-	-	-	-	-
PROGRAM TOTAL		3,530,380	11,100,000	11,100,000	11,100,000	11,100,000	11,100,000	11,100,000	55,500,000

\*OYB was \$100,000, however \$15,000 were returned to AID/W for reprogramming in FY 2001.

**USAID/PERU STRATEGIC PLAN 2002-2006**  
**ESTIMATED PROGRAM BUDGET**  
 (High Option +10%)  
 US\$

**TABLE III.2B**

(Planning Period)  
2002-2006

		PLANNING PERIOD						2002 2000	
		FY 2000 OYB	FY 2001 CP Level	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	TOTAL
SO1	Democratic Processes and Institutions Strengthened in Critical Areas	3,260,380	11,100,000	23,410,000	23,410,000	13,410,000	13,410,000	13,410,000	87,050,000
Development Assistance		3,100,380	3,100,000	3,410,000	3,410,000	3,410,000	3,410,000	3,410,000	17,050,000
A. Ongoing Activities									
Mission		3,100,380	3,100,000	300,000	300,000	300,000	300,000	300,000	1,500,000
527-0000	Program Development & Support	133,217	80,000	100,000	100,000	100,000	100,000	100,000	500,000
527-0061	Special Development Activities	150,381	200,000	200,000	200,000	200,000	200,000	200,000	1,000,000
527-0394	PARTICIPE	2,816,782	2,820,000	-	-	-	-	-	-
B. New Activities		-	-	3,110,000	3,110,000	3,110,000	3,110,000	3,110,000	15,550,000
527-0394	PARTICIPE (Follow -on)	-	-	3,110,000	3,110,000	3,110,000	3,110,000	3,110,000	15,550,000
Economic Support Funds		160,000	8,000,000	20,000,000	20,000,000	10,000,000	10,000,000	10,000,000	70,000,000
A. Ongoing Activities									
Mission		160,000	8,000,000	-	-	-	-	-	-
527-0394	PARTICIPE	160,000	8,000,000	-	-	-	-	-	-
B. New Activities		-	-	20,000,000	20,000,000	10,000,000	10,000,000	10,000,000	70,000,000
527-0394	PARTICIPE (Follow -on)	-	-	20,000,000	20,000,000	10,000,000	10,000,000	10,000,000	70,000,000
C. Global (GDG/OAS)		270,000	-	-	-	-	-	-	-
936-SS02	CEPPS (NDI/Carter Center)	85,000 *	-	-	-	-	-	-	-
	OAS	185,000	-	-	-	-	-	-	-
PROGRAM TOTAL		3,260,380	11,100,000	23,410,000	23,410,000	13,410,000	13,410,000	13,410,000	87,050,000

\*OYB was \$100,000, however \$15,000 were returned to AID/W for reprogramming in FY 2001.

**USAID/PERU STRATEGIC PLAN 2002-2006**  
**ESTIMATED PROGRAM BUDGET**  
(Low Option -10%)  
US\$

TABLE III.2C

(Planning Period)  
2002-2006

		PLANNING PERIOD						2002-2000	
		FY 2000 OYB	FY 2001 CP Level	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	TOTAL
SO1	Democratic Processes and Institutions Strengthened in Critical Areas	3,530,380	11,100,000	7,790,000	7,790,000	7,790,000	7,790,000	7,790,000	38,950,000
Development Assistance		3,100,380	3,100,000	2,790,000	2,790,000	2,790,000	2,790,000	2,790,000	13,950,000
A. Ongoing Activities									
Mission		3,100,380	3,100,000	220,000	220,000	220,000	220,000	220,000	1,100,000
527-0000	Program Development & Support	133,217	80,000	70,000	70,000	70,000	70,000	70,000	350,000
527-0061	Special Development Activities	150,381	200,000	150,000	150,000	150,000	150,000	150,000	750,000
527-0394	PARTICIPE	2,816,782	2,820,000	-	-	-	-	-	-
B. New Activities		-	-	2,570,000	2,570,000	2,570,000	2,570,000	2,570,000	12,850,000
PARTICIPE (Follow-on)		-	-	2,570,000	2,570,000	2,570,000	2,570,000	2,570,000	12,850,000
Economic Support Funds		430,000	8,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	25,000,000
A. Ongoing Activities									
Mission		160,000	8,000,000	-	-	-	-	-	-
527-0394	PARTICIPE (Follow-on)	160,000	8,000,000						-
B. New Activities		-	-	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	25,000,000
527-0394	PARTICIPE (Follow-on)	-	-	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	25,000,000
C. Global (GDG/OAS)		270,000	22,200,000	-	-	-	-	-	-
936-SS02	CEPPS (NDI/Carter Center)	85,000 *	11,100,000	-	-	-	-	-	-
	OAS	185,000	11,100,000	-	-	-	-	-	-
PROGRAM TOTAL		3,530,380	11,100,000	7,790,000	7,790,000	7,790,000	7,790,000	7,790,000	38,950,000

\*OYB was \$100,000, however \$15,000 were returned to AID/W for reprogramming in FY 2001.

## **Strategic Objective # 2: Increased Economic Opportunities for the Poor in Selected Economic Corridors**

The Mission estimates that full achievement of SO2 can be reached within seven years at a cost of \$168.25 million. \$134.25 million base level (Table III.3A) will be required during the five year planning period FY 2002-2006. Within this level of resources, the SO will place highest priority on poverty reduction activities targeted to the poor by supporting interventions designed to increase private investments, employment opportunities and family income, and on poverty alleviation activities principally to improve the nutritional status of the extremely poor.

An increase of 10% in DA resources (Table III.3B) would enable SO2 to support a greater number of microfinance institutions and specialized microfinance NGOs, and augment the size of the credit and guarantee funds, with a corresponding expansion in outreach to target beneficiaries. Such an increase in the number of participating institutions would accelerate the pace of poverty reduction, especially in targeted areas which are characterized by high concentrations of the poor, and would improve the quality of institutional loan portfolios, the efficiency of accounting, management and internal control systems used, and the prospects for institutional sustainability.

Conversely, with a 10% cut in DA resources, SO2 (Table III.3C) would choose not to affect the program levels of on-going approved poverty reduction activities, but rather reduce the planned scope of the new Microfinance Initiative. This contingency would make it necessary to support a reduced number of formal and informal microfinance institutions and specialized microfinance NGOs, and to make first-time credit accessible to a reduced number of poor client families in participating communities. The adverse effect of such a cut in DA resources would mean less institutional capacity to address the already unmettable demand for credit in Peru's poorest regions, as well as fewer poor and extremely poor families with the means to overcome their conditions of (extreme) poverty.

**USAID/PERU STRATEGIC PLAN 2002-2006**  
**ESTIMATED PROGRAM BUDGET**  
 (Base)  
 US\$

TABLE III.3A

		PLANNING PERIOD							(Planning Period) 2002-2006
		FY 2000 OYB	FY 2001 CP Level	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	TOTAL
SO2	Increased Economic Opportunities for the Poor in Selected Economic Corridors	52,200,000	37,650,000	31,850,000	31,850,000	26,850,000	26,850,000	16,850,000	134,250,000
Development Assistance									
A. Ongoing Activities									
	Mission	7,200,000	6,550,000	4,850,000	4,850,000	4,850,000	4,850,000	5,950,000	25,350,000
527-0000	Program Development & Support	300,000	264,000	350,000	350,000	350,000	350,000	350,000	1,750,000
527-0349	Microenterprise Support	4,100,000	2,596,000	-	-	-	-	-	-
527-0353	PVO Support	500,000	-	-	-	-	-	-	-
527-0387	Poverty Reduction and Alleviation	2,300,000	3,690,000	4,500,000	4,500,000	4,500,000	4,500,000	5,600,000	23,600,000
B. New Activities									
527-	Microenterprise Initiative	-	1,100,000	2,000,000	2,000,000	2,000,000	2,000,000	900,000	8,900,000
		-	1,100,000	2,000,000	2,000,000	2,000,000	2,000,000	900,000	8,900,000
C. P.L. 480 Title II									
		45,000,000	30,000,000	25,000,000	25,000,000	20,000,000	20,000,000	10,000,000	100,000,000
PROGRAM TOTAL		52,200,000	37,650,000	31,850,000	31,850,000	26,850,000	26,850,000	16,850,000	134,250,000



**USAID/PERU STRATEGIC PLAN 2002-2006**  
**ESTIMATED PROGRAM BUDGET**  
 (High Option +10%)  
 US\$

**TABLE III.3B**

		PLANNING PERIOD							(Planning Period) 2002-2006
		FY 2000 OYB	FY 2001 CP Level	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	TOTAL
<b>SO2</b>	<b>Increased Economic Opportunities for the Poor in Selected Economic Corridors</b>	<b>52,200,000</b>	<b>37,650,000</b>	<b>32,535,000</b>	<b>32,535,000</b>	<b>27,535,000</b>	<b>27,535,000</b>	<b>17,535,000</b>	<b>137,675,000</b>
<b>Development Assistance</b>									
<b>A. Ongoing Activities</b>									
	<b>Mission</b>	7,200,000	6,550,000	5,250,000	5,250,000	5,250,000	5,250,000	4,650,000	<b>25,650,000</b>
527-0000	Program Development & Support	300,000	264,000	450,000	450,000	450,000	450,000	450,000	2,250,000
527-0349	Microenterprise Support	4,100,000	2,596,000	-	-	-	-	-	0
527-0353	PVO Support	500,000	-	-	-	-	-	-	-
527-0387	Poverty Reduction and Alleviation	2,300,000	3,690,000	4,800,000	4,800,000	4,800,000	4,800,000	4,200,000	23,400,000
<b>B. New Activities</b>									
527-	Microenterprise Initiative	-	1,100,000	2,285,000	2,285,000	2,285,000	2,285,000	2,885,000	<b>12,025,000</b>
		-	1,100,000	2,285,000	2,285,000	2,285,000	2,285,000	2,885,000	12,025,000
<b>C. P.L. 480 Title II</b>									
		45,000,000	30,000,000	25,000,000	25,000,000	20,000,000	20,000,000	10,000,000	<b>100,000,000</b>
<b>PROGRAM TOTAL</b>		<b>52,200,000</b>	<b>37,650,000</b>	<b>32,535,000</b>	<b>32,535,000</b>	<b>27,535,000</b>	<b>27,535,000</b>	<b>17,535,000</b>	<b>137,675,000</b>

**USAID/PERU STRATEGIC PLAN 2002-2006**  
**ESTIMATED PROGRAM BUDGET**  
 (Low Option -10%)  
 US\$

TABLE III.3C

		PLANNING PERIOD							(Planning Period) 2002-2006
		FY 2000 OYB	FY 2001 CP Level	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	TOTAL
SO2	Increased Economic Opportunities for the Poor in Selected Economic Corridors	52,200,000	37,650,000	31,165,000	31,165,000	26,165,000	26,165,000	16,165,000	130,825,000
Development Assistance									
A. Ongoing Activities									
	Mission	7,200,000	6,550,000	4,850,000	4,850,000	4,850,000	4,850,000	5,950,000	25,350,000
527-0000	Program Development & Support	300,000	264,000	350,000	350,000	350,000	350,000	350,000	1,750,000
527-0349	Microenterprise Support	4,100,000	2,596,000	-	-	-	-	-	-
527-0353	PVO Support	500,000	-	-	-	-	-	-	-
527-0387	Poverty Reduction and Alleviation	2,300,000	3,690,000	4,500,000	4,500,000	4,500,000	4,500,000	5,600,000	23,600,000
B. New Activities									5,475,000
527-	Microenterprise Initiative	-	1,100,000	1,315,000	1,315,000	1,315,000	1,315,000	215,000	5,475,000
C. P.L. 480 Title II									100,000,000
PROGRAM TOTAL		52,200,000	37,650,000	31,165,000	31,165,000	26,165,000	26,165,000	16,165,000	130,825,000

### **Strategic Objective # 3: Improved Health for Peruvians at High Risk**

The Mission estimates that this Strategic Objective can be completed in a fully sustainable manner in ten years through FY 2011, at a total cost of \$252.5 million. The cost for SO3 activities during the strategy planning period FY 2002-2006 is estimated at \$127.5 million. This amount is based on a straightlined base level, with an average rate of \$25.5 million per year. The activities planned in the health and population areas directly support the Agency goal of "World Population Stabilized and Human Health Protected in a Sustainable Fashion." SO3 will pursue three mutually reinforcing intermediate results based on an innovative new framework which takes advantage of best practices as lessons learned and which promises to reach those Peruvians at high risk in a cost effective manner. SO3 has proven itself to be a strong performer. Consequently, it should be accorded the resources necessary to fund new activities in these three new intermediate results.

Under the base straightlined scenario (Table III.4A), which includes services from the Global Bureau's Center on Population, Health, and Nutrition, the Mission will be able to reach Peruvians at high risk nationwide with targeted, cost effective interventions. In addition, the activities presented are in compliance with and responsive to all relevant earmarks and directives issued by Congress and USAID Washington. Innovative new health information and behavior change activities will achieve national coverage. USAID will move strongly in the direction of full sustainability within 10 years.

Under a base +10% level (Table III.4B) activities would be able to proceed at a faster rate, and would yield better results. New activities could be scaled up faster. New health information activities could be national in scope and more intensive than currently planned, leading to more widespread changes in health behaviors and greater improvement in health status. Progress toward eventual full sustainability would be accelerated, and the phase out of USAID assistance could be moved forward.

Table III.4C presents the alternative budget scenario at a base -10% level. Under this reduced level, progress toward attainment of SO3 will be slower and indicators will not reach the levels proposed. Preventive health information activities will not achieve national coverage, but rather will be concentrated on selected targets of opportunity. Progress toward sustainability and projected phase out of USAID assistance would be slowed by an estimated five additional years.

**Note:** Subsequent to the Strategy submission and revision, Population funding level for the FY 2002 Congressional Budget Justification and FY 2003 R4 was increased by \$1.9 million (April 12, 2001).

**USAID/PERU STRATEGIC PLAN 2002-2006**  
**ESTIMATED PROGRAM BUDGET**  
**(Base)**  
**US\$**

**TABLE III.4A (POP)**

		PLANNING PERIOD							(Planning Period) 2002-2006
		FY 2000 OYB	FY 2001 CP Level	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	TOTAL
SO3	Improved Health for Peruvians at High Risk	13,350,000	20,500,000	16,000,000	16,000,000	16,000,000	16,000,000	16,000,000	80,000,000
I. Development Assistance-POP									
A. Ongoing Activities									
	Mission	9,018,000	15,488,000	7,180,000	3,706,000	300,000	300,000	300,000	11,786,000
527-0000	Program Development Support	300,000	300,000	300,000	300,000	300,000	300,000	300,000	1,500,000
527-0319	Strengthening Private Sector	-	250,000	736,000	-	-	-	-	736,000
527-0355	Reprosalud	6,361,000	7,500,000	6,000,000	3,406,000	-	-	-	9,406,000
527-0375	Apoyo	2,357,000	7,438,000	144,000	-	-	-	-	144,000
	Global – PASARE	4,332,000	4,000,000	3,900,000	3,200,000	2,700,000	2,200,000	1,700,000	13,700,000
936-3038.02	FP Logistics Management	50,000	-	-	-	-	-	-	-
936-3057	Contraceptives	1,945,000	1,500,000	2,000,000	1,500,000	1,000,000	500,000	-	5,000,000
936-3069.01	JHPiego	330,000	300,000	-	-	-	-	-	-
936-3070.01	PLF – West Consortium	100,000	200,000	200,000	-	-	-	-	200,000
936-3078.02	New Policy Follow -On	450,000		300,000	300,000	300,000	300,000	300,000	1,500,000
936-3083.01	Measure I (DHS)	782,000	1,800,000	400,000	400,000	400,000	400,000	400,000	2,000,000
936-3084.02	CARE MORR	400,000	-	-	-	-	-	-	-
936-3086	FRONTIERS	220,000	200,000	400,000	400,000	400,000	400,000	400,000	2,000,000
936-3096	CHANGE	-	-	600,000	600,000	600,000	600,000	600,000	3,000,000
936-3099	Mgt. & Leadership Development	55,000	-	-	-	-	-	-	-
	B. New Activities	-	1,012,000	4,920,000	9,094,000	13,000,000	13,500,000	14,000,000	54,514,000
IR 3.1	People Practicing Health Behaviors	-	354,000	1,968,000	4,897,000	7,600,000	8,600,000	8,800,000	31,865,000
IR 3.2	Quality Services Accessible & Utilized	-	405,000	1,722,000	2,553,000	2,950,000	3,125,000	3,300,000	13,650,000
IR 3.3	MOH Policies and Programs More Responsive to Health Needs	-	253,000	1,230,000	1,644,000	2,450,000	1,775,000	1,900,000	8,999,000
PROGRAM TOTAL (POP)		13,350,000	20,500,000	16,000,000	16,000,000	16,000,000	16,000,000	16,000,000	80,000,000

**USAID/PERU STRATEGIC PLAN 2002-2006**  
**ESTIMATED PROGRAM BUDGET**  
 (Base)  
 US\$

**TABLE III.4A (CS)**

		PLANNING PERIOD							(Planning Period) 2002-2006
		FY 2000 OYB	FY 2001 CP Level	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	TOTAL
<b>SO3</b>	<b>Improved Health for Peruvians at High Risk</b>	<b>6,500,000</b>	<b>9,250,000</b>	<b>9,500,000</b>	<b>9,500,000</b>	<b>9,500,000</b>	<b>9,500,000</b>	<b>9,500,000</b>	<b>47,500,000</b>
<b>II. Child Survival</b>									
<b>A. Ongoing Activities</b>									
	<b>Mission</b>	6,300,000	9,050,000	8,300,000	5,949,000	200,000	200,000	200,000	14,849,000
527-0000	Program Development and Support	200,000	200,000	400,000	200,000	200,000	200,000	200,000	1,200,000
527-0319	Strengthening Private Sector	951,000	2,150,000	1,264,000	2,646,000	-	-	-	3,910,000
527-0366	Project 2000	1,849,000	3,000,000	1,586,000	100,000	-	-	-	1,686,000
527-0381	Niño Sano	200,000	700,000	800,000	300,000	-	-	-	1,100,000
527-0391	Emerging and Re-emerging Diseases	3,100,000	3,000,000	4,250,000	2,703,000	-	-	-	6,953,000
<b>Global – PASARE</b>									
		200,000	200,000	200,000	-	-	-	-	200,000
936-5974-08	Rational Pharmaceutical	100,000	100,000	100,000	-	-	-	-	100,000
936-5974.13	Partnership for Health Reform	100,000	100,000	100,000	-	-	-	-	100,000
<b>B. New Activities</b>									
		-	-	1,000,000	3,551,000	9,300,000	9,300,000	9,300,000	32,451,000
IR 3.1	People Practicing Health Behaviors	-	-	450,000	1,776,000	5,115,000	5,580,000	5,580,000	18,501,000
IR 3.2	Quality Services Accessible & Utilized	-	-	350,000	1,065,000	2,325,000	2,325,000	2,325,000	8,390,000
IR 3.3	MOH Policies and Programs More Responsive to Health Needs	-	-	200,000	710,000	1,860,000	1,395,000	1,395,000	5,560,000
<b>PROGRAM TOTAL (CS)</b>		<b>6,500,000</b>	<b>9,250,000</b>	<b>9,500,000</b>	<b>9,500,000</b>	<b>9,500,000</b>	<b>9,500,000</b>	<b>9,500,000</b>	<b>47,500,000</b>

**USAID/PERU STRATEGIC PLAN 2002-2006**  
**ESTIMATED PROGRAM BUDGET**  
**(High Option +10%)**  
**US\$**

**TABLE III.4B (POP)**

		PLANNING PERIOD							(Planning Period) 2002-2006
		FY 2000 OYB	FY 2001 CP Level	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	TOTAL
SO3	Improved Health for Peruvians at High Risk	13,350,000	20,500,000	17,600,000	17,600,000	17,600,000	17,600,000	17,600,000	88,000,000
I. Development Assistance-POP									
A. Ongoing Activities									
	Mission	9,018,000	15,488,000	7,810,000	3,136,000	330,000	330,000	330,000	11,936,000
527-0000	Program Development and Support	300,000	300,000	330,000	330,000	330,000	330,000	330,000	1,650,000
527-0319	Strengthening Private Sector	-	250,000	736,000	-	-	-	-	736,000
527-0355	Reprosalud	6,361,000	7,500,000	6,600,000	2,806,000	-	-	-	9,406,000
527-0375	Apoyo	2,357,000	7,438,000	144,000	-	-	-	-	144,000
	Global – PASARE	4,332,000	4,000,000	4,290,000	3,520,000	2,870,000	2,370,000	1,870,000	14,920,000
936-3038.02	FP Logistics Management	50,000	-	-	-	-	-	-	-
936-3057	Contraceptives	1,945,000	1,500,000	2,200,000	1,650,000	1,000,000	500,000		5,350,000
936-3069.01	JHPiego	330,000	300,000	-	-	-	-	-	-
936-3070.01	PLF – West Consortium	100,000	200,000	220,000	-	-	-	-	220,000
936-3078.02	New Policy Follow-On	450,000	-	330,000	330,000	330,000	330,000	330,000	1,650,000
936-3083.01	Measure I (DHS)	782,000	1,800,000	440,000	440,000	440,000	440,000	440,000	2,200,000
936-3084.02	CARE MORR	400,000	-	-	-	-	-	-	-
936-3086	FRONTIERS	220,000	200,000	440,000	440,000	440,000	440,000	440,000	2,200,000
936-3096	CHANGE	-	-	660,000	660,000	660,000	660,000	660,000	3,300,000
936-3099	Mgt. & Leadership Development	55,000	-	-	-	-	-	-	-
	B. New Activities	-	1,012,000	5,500,000	10,944,000	14,400,000	14,900,000	15,400,000	61,144,000
IR 3.1	People Practicing Health Behaviors	-	354,000	2,199,000	5,763,000	7,920,000	8,940,000	9,240,000	34,062,000
IR 3.2	Quality Services Accessible & Utilized	-	405,000	1,925,000	3,138,000	3,600,000	3,725,000	3,850,000	16,238,000
IR 3.3	MOH Policies and Programs More Responsive to Health Needs	-	253,000	1,376,000	2,043,000	2,880,000	2,235,000	2,310,000	10,844,000
PROGRAM TOTAL (POP)		13,350,000	20,500,000	17,600,000	17,600,000	17,600,000	17,600,000	17,600,000	88,000,000

**USAID/PERU STRATEGIC PLAN 2002-2006**  
**ESTIMATED PROGRAM BUDGET**  
 (High Option +10%)  
 US\$

**TABLE III.4B (CS)**

(Planning period)  
2002-2006

		PLANNING PERIOD						2002 2000	
		FY 2000 OYB	FY 2001 CP Level	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	TOTAL
SO3	Improved Health for Peruvians at High Risk	6,500,000	9,250,000	10,450,000	10,450,000	10,450,000	10,450,000	10,450,000	52,250,000
II. Child Survival									
A. Ongoing Activities									
	Mission	6,300,000	9,050,000	8,606,000	5,663,000	220,000	220,000	220,000	14,929,000
527-0000	Program Development and Support	200,000	200,000	400,000	220,000	220,000	220,000	220,000	1,280,000
527-0319	Strengthening Private Sector	951,000	2,150,000	1,390,000	2,520,000	-	-	-	3,910,000
527-0366	Project 2000	1,849,000	3,000,000	1,686,000	-	-	-	-	1,686,000
527-0381	Niño Sano	200,000	700,000	880,000	220,000	-	-	-	1,100,000
527-0391	Emerging and Re-emerging Diseases	3,100,000	3,000,000	4,250,000	2,703,000	-	-	-	6,953,000
	Global – PASARE	200,000	200,000	200,000	-	-	-	-	200,000
936-5974-08	Rational Pharmaceutical	100,000	100,000	100,000	-	-	-	-	100,000
936-5974.13	Partnership for Health Reform	100,000	100,000	100,000	-	-	-	-	100,000
	B. New Activities	-	-	1,644,000	4,787,000	10,230,000	10,230,000	10,230,000	37,121,000
IR 3.1	People Practicing Health Behaviors	-	-	740,000	2,394,000	5,626,000	6,138,000	6,138,000	21,036,000
IR 3.2	Quality Services Accessible & Utilized	-	-	575,000	1,436,000	2,558,000	2,557,000	2,557,000	9,683,000
IR 3.3	MOH Policies and Programs More Responsive to Health Needs	-	-	329,000	957,000	2,046,000	1,535,000	1,535,000	6,402,000
PROGRAM TOTAL (CS)		6,500,000	9,250,000	10,450,000	10,450,000	10,450,000	10,450,000	10,450,000	52,250,000

**USAID/PERU STRATEGIC PLAN 2002-2006**  
**ESTIMATED PROGRAM BUDGET**  
**(Low Option -10%)**  
**US\$**

**TABLE III.4C (POP)**

(Planning Period)  
2002-2006

		PLANNING PERIOD							TOTAL
		FY 2000 OYB	FY 2001 CP Level	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	
<b>SO3</b>	<b>Improved Health for Peruvians at High Risk</b>	<b>13,350,000</b>	<b>20,500,000</b>	<b>14,400,000</b>	<b>14,400,000</b>	<b>14,400,000</b>	<b>14,400,000</b>	<b>14,400,000</b>	<b>72,000,000</b>
<b>I. Development Assistance-POP</b>									
<b>A. Ongoing Activities</b>									
	<b>Mission</b>	9,018,000	15,488,000	6,550,000	3,335,000	1,211,000	270,000	270,000	11,636,000
527-0000	Program Development and Support	300,000	300,000	270,000	270,000	270,000	270,000	270,000	1,350,000
527-0319	Strengthening Private Sector	-	250,000	736,000	-	-	-	-	736,000
527-0355	Reprosalud	6,361,000	7,500,000	5,400,000	3,065,000	941,000	-	-	9,406,000
527-0375	Apoyo	2,357,000	7,438,000	144,000	-	-	-	-	144,000
<b>Global – PASARE</b>		4,332,000	4,000,000	3,510,000	2,880,000	2,530,000	2,030,000	1,530,000	12,480,000
936-3038.02	FP Logistics Management	50,000	-	-	-	-	-	-	-
936-3057	Contraceptives	1,945,000	1,500,000	1,800,000	1,350,000	1,000,000	500,000	-	4,650,000
936-3069.01	JHPiego	330,000	300,000	-	-	-	-	-	-
936-3070.01	PLF - West Consortium	100,000	200,000	180,000	-	-	-	-	180,000
936-3078.02	New Policy Follow-On	450,000	-	270,000	270,000	270,000	270,000	270,000	1,350,000
936-3083.01	Measure I (DHS)	782,000	1,800,000	360,000	360,000	360,000	360,000	360,000	1,800,000
936-3084.02	CARE MORR	400,000	-	-	-	-	-	-	-
936-3086	FRONTIERS	220,000	200,000	360,000	360,000	360,000	360,000	360,000	1,800,000
936-3096	CHANGE	-	-	540,000	540,000	540,000	540,000	540,000	2,700,000
936-3099	Mgt. & Leadership Development	55,000	-	-	-	-	-	-	-
<b>B. New Activities</b>		-	1,012,000	4,340,000	8,185,000	10,659,000	12,100,000	12,600,000	47,884,000
IR 3.1	People Practicing Health Behaviors	-	354,000	1,953,000	4,092,000	5,862,000	7,260,000	7,560,000	26,727,000
IR 3.2	Quality Services Accessible & Utilized	-	405,000	1,519,000	2,456,000	2,665,000	3,025,000	3,150,000	12,815,000
IR 3.3	MOH Policies and Programs More Responsive to Health Needs	-	253,000	868,000	1,637,000	2,132,000	1,815,000	1,890,000	8,342,000
<b>PROGRAM TOTAL (POP)</b>		<b>13,350,000</b>	<b>20,500,000</b>	<b>14,400,000</b>	<b>14,400,000</b>	<b>14,400,000</b>	<b>14,400,000</b>	<b>14,400,000</b>	<b>72,000,000</b>



**USAID/PERU STRATEGIC PLAN 2002-2006**  
**ESTIMATED PROGRAM BUDGET**  
(Low Option -10%)  
US\$

**TABLE III.4C (CS)**

(Planning Period)  
2002-2006

		PLANNING PERIOD							
		FY 2000 OYB	FY 2001 CP Level	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	TOTAL
SO3	Improved Health for Peruvians at High Risk	6,500,000	9,250,000	8,550,000	8,550,000	8,550,000	8,550,000	8,550,000	42,750,000
II. Child Survival									
A. Ongoing Activities									
	Mission	6,300,000	9,050,000	7,629,000	6,560,000	180,000	180,000	180,000	14,729,000
527-0000	Program Development and Support	200,000	200,000	360,000	180,000	180,000	180,000	180,000	1,080,000
527-0319	Strengthening Private Sector	951,000	2,150,000	1,138,000	2,772,000	-	-	-	3,910,000
527-0366	Project 2000	1,849,000	3,000,000	1,586,000	100,000	-	-	-	1,686,000
527-0381	Niño Sano	200,000	700,000	720,000	380,000	-	-	-	1,100,000
527-0391	Emerging and Re-emerging Diseases	3,100,000	3,000,000	3,825,000	3,128,000	-	-	-	6,953,000
Global - PASARE									
		200,000	200,000	200,000	-	-	-	-	200,000
936-5974-08	Rational Pharmaceutical	100,000	100,000	100,000	-	-	-	-	100,000
936-5974.13	Partnership for Health Reform	100,000	100,000	100,000	-	-	-	-	100,000
B. New Activities									
		-	-	721,000	1,990,000	8,370,000	8,370,000	8,370,000	27,821,000
IR 3.1	People Practicing Health Behaviors	-	-	325,000	995,000	3,603,000	3,603,000	3,603,000	12,129,000
IR 3.2	Quality Services Accessible & Utilized	-	-	252,000	597,000	2,293,000	2,293,000	2,293,000	7,728,000
IR 3.3	MOH Policies and Programs More Responsive to Health Needs	-	-	144,000	398,000	2,474,000	2,474,000	2,474,000	7,964,000
PROGRAM TOTAL (CS)									
		6,500,000	9,250,000	8,550,000	8,550,000	8,550,000	8,550,000	8,550,000	42,750,000

#### **Strategic Objective # 4: Strengthened Environmental Management to Address Priority Problems**

The revised Strategic Objective, Strengthened Environmental Management to Address Priority Problems, is expected to be achieved in FY 2008 with a total investment of \$36.5 million. Of this total, the overall amount needed to finance SO4 activities during the planning period FY 2002-FY 2006 is \$25.0 million. This amount is required to consolidate SO accomplishments to date and initiate two new complementary activities required to achieve the expected SO results.

Main current SO achievements include the strengthened institutional capacity of key public and private sector institutions, such as the National Environmental Council (CONAM), the highest GOP's agency for environmental policy making, the Peruvian Society for Environmental Law (SPDA), and the Ministries of Industry and Fisheries. The added capacities have led to improving the environmental policy and regulatory framework, promoting private sector participation, and implementing pilot interventions in biodiversity, pollution prevention, and environmental health. Peru's first environmental policy framework for the manufacturing and fisheries industries have been approved, while pilot demonstration activities successfully completed on solid waste management, pollution prevention and environmental health are serving as the basis for further field initiatives throughout Peru. In addition, the ISO 14000 Environmental Management Standard has been approved and many Peruvian plants have already received ISO 14000 certification. The GOP's efforts to expand and decentralize sound practices of environmental and natural resources management also have been supported through the creation of nine multi-sectoral regional environmental committees. However, achievement of the revised SO requires the completion of both the ongoing activities (SENREM, BIOFOR and Environmental Health) and two new interventions that complement the Mission Environmental Strategy for Peru. These interventions seek to increase the environmental demand and awareness (IDEA) and to strengthen the integral system for environmental management (SISEM). The former is scheduled to begin in FY 2002, while the latter activity would be initiated in FY 2003. Therefore, the financial resources needed during the strategic period FY 2002-2006 to complete all ongoing activities and initiate implementation of the two new interventions amount to \$25.0 million or \$5.0 million per year (Table III.5A).

Under the high option budget level (Table III.5B), the new complementary activities would begin implementation in a more aggressive, expanded and coherent fashion. This option would ensure consolidation of current SO achievements by quickly focusing on the weak elements of effective demand for environmental management and application of improved policies and practices at the local level. Such consolidation would ensure the achieving of expected SO results.

Under the low option budget level (Table III.5C), implementation of IDEA and SISEM would be unacceptably slow, affecting both consolidation of accomplishments under ongoing activities and overall achievement of SO results. Ongoing SO interventions would be completed, but their achievements would not be consolidated as required to meet the environmental Strategic Objective as planned.

**USAID/PERU STRATEGIC PLAN 2002-2006**  
**ESTIMATED PROGRAM BUDGET**  
 (Base)  
 US\$

TABLE III.5A

		PLANNING PERIOD							(Planning Period) 2002-2006
		FY 2000 OYB	FY 2001 CP Level	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	TOTAL
SO4	Strengthened Environmental Management to Address Priority Problems	4,103,903	5,400,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	25,000,000
Development Assistance									
A. Ongoing Activities									
	Mission	4,083,903	5,400,000	4,250,000	1,772,000	100,000	100,000	200,000	6,422,000
527-0000	Program Development & Support	183,903	100,000	100,000	190,000	100,000	100,000	200,000	690,000
527-0368	SENREM	2,088,000	2,660,000	1,400,000	924,000	-	-	-	2,324,000
	BIOFOR	1,162,000	1,378,000	1,000,000	-	-	-	-	1,000,000
	Environmental Health	650,000	1,262,000	1,750,000	658,000	-	-	-	2,408,000
B. New Activities									
527-0368	Increased Environmental Demand and Awareness (DEA) Activity	-	-	750,000	1,228,000	2,000,000	1,000,000	1,600,000	6,578,000
527-0368	Strengthened Integral System for Environmental Management (SISEM) Activity	-	-	-	2,000,000	2,900,000	3,900,000	3,200,000	12,000,000
C. Global									
ENV-SS01	Environmental Planning and Management	20,000	-	-	-	-	-	-	-
		20,000	-	-	-	-	-	-	-
PROGRAM TOTAL		4,103,903	5,400,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	25,000,000

**USAID/PERU STRATEGIC PLAN 2002-2006**  
**ESTIMATED PROGRAM BUDGET**  
**(High Option +10%)**  
**US\$**

**TABLE III.5B**

		PLANNING PERIOD							(Planning Period) 2002-2006
		FY 2000 OYB	FY 2001 CP Level	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	TOTAL
SO4	Strengthened Environmental Management to Address Priority Problems	4,103,903	5,400,000	5,500,000	5,500,000	5,500,000	5,500,000	5,500,000	27,500,000
Development Assistance									
A. Ongoing Activities									
	Mission	4,083,903	5,400,000	4,250,000	1,772,000	100,000	100,000	100,000	6,322,000
527-0000	Program Development & Support	183,903	100,000	100,000	190,000	100,000	100,000	100,000	590,000
527-0368	SENREM	2,088,000	2,660,000	1,400,000	924,000	-	-	-	2,324,000
	BIOFOR	1,162,000	1,378,000	1,000,000	-	-	-	-	1,000,000
	Environmental Health	650,000	1,262,000	1,750,000	658,000	-	-	-	2,408,000
B. New Activities									
		-	-	1,250,000	3,728,000	5,400,000	5,400,000	5,400,000	21,178,000
527-0368	Increased Environmental Demand and Awareness (DEA) Activity	-	-	1,250,000	1,528,000	2,200,000	1,100,000	1,880,000	7,958,000
527-0368	Strengthened Integral System for Environmental Management (SISEM) Activity	-	-	-	2,200,000	3,200,000	4,300,000	3,520,000	13,220,000
C. Global									
		20,000	-	-	-	-	-	-	-
ENV-SS01	Environmental Planning and Management	20,000	-	-	-	-	-	-	-
PROGRAM TOTAL		4,103,903	5,400,000	5,500,000	5,500,000	5,500,000	5,500,000	5,500,000	27,500,000

**USAID/PERU STRATEGIC PLAN 2002-2006**  
**ESTIMATED PROGRAM BUDGET**  
**(Low Option -10%)**  
**US\$**

**TABLE III.5C**

		PLANNING PERIOD							(Planning Period) 2002-2006
		FY 2000 OYB	FY 2001 CP Level	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	TOTAL
SO4	Strengthened Environmental Management to Address Priority Problems	4,103,903	5,400,000	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000	22,500,000
Development Assistance									
A. Ongoing Activities									
	Mission	4,083,903	5,400,000	4,250,000	1,772,000	100,000	100,000	100,000	6,322,000
527-0000	Program Development & Support	183,903	100,000	100,000	190,000	100,000	100,000	100,000	590,000
527-0368	SENREM	2,088,000	2,660,000	1,400,000	924,000	-	-	-	2,324,000
	BIOFOR	1,162,000	1,378,000	1,000,000	-	-	-	-	1,000,000
	Environmental Health	650,000	1,262,000	1,750,000	658,000	-	-	-	2,408,000
B. New Activities									
527-0368	Increased Environmental Demand And Awareness (DEA) Activity	-	-	250,000	2,728,000	4,400,000	4,400,000	4,400,000	16,178,000
				250,000	1,000,000	1,800,000	900,000	1,520,000	5,470,000
527-0368	Strengthened Integral System for Environmental Management (SISEM) Activity	-	-	-	1,728,000	2,600,000	3,500,000	2,880,000	10,708,000
C. Global									
ENV-SS01	Environmental Planning and Management	20,000	-	-	-	-	-	-	-
		20,000	-	-	-	-	-	-	-
PROGRAM TOTAL		4,103,903	5,400,000	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000	22,500,000

### **Special Objective # 5: Sustained Reduction of Illicit Drug Crops in Target Areas of Peru**

According to the current design, the Special Objective of Sustained Reduction of Illicit Drug Crops in Target Areas of Peru is expected to be achieved in 2008 with a total investment of \$190.0 million. Of this total, the overall amount needed to finance SpO5 interventions during the strategic period FY 2002-2006 is \$140.0 million. This figure is based on both the current average monthly level of expenditures of \$2.3 million and the base estimates for a new emergency program to reduce the social, economic and food security problems caused by the GOP's accelerated involuntary coca eradication program.

During the previous strategy period of FY 1997-2001, the SpO contributed to a 66 percent reduction in the hectares devoted to coca production for illicit purposes. As a result, the most recent Counter Narcotics Center Survey reported that the current coca cultivation area in Peru is 38,700 hectares, which could potentially produce over 175 metric tons of cocaine or 23 percent of the potential world cocaine production. Since Peru has estimated that only 8,000-10,000 hectares are needed to produce coca for its legal, traditional consumption, the SpO has targeted the remaining 28,700-30,700 hectares that otherwise would support the production of cocaine in Peru. Given the current SpO performance, and with the expected continued support of the USG-GOP counter-narcotics law enforcement component -- especially interdiction and coca eradication activities -- the SpO coca reduction target is likely to be achieved by mid-FY 2004. However, the SpO's goal is to sustain the reduced, legal level of coca production over time and impede both the rehabilitation of coca fields and the plantation of new coca in Peru. This goal is expected to be achieved by establishing a strong licit economy in the former coca producing areas, with increased levels of household income and access to quality basic services, and strengthened local organizations supported by an adequate legal framework. Therefore, the proposed SpO interventions for the new strategy period require a base funding level of \$30.0 million per year during the FY 2002-2004 period and \$25.0 million thereafter (Table III.6A), not only to continue the regular Alternative Development program, but also to offset the negative socio-economic effects of eradication activities on at-risk populations, i.e., women and children who reside in coca producing areas.

Under the high option program budget level (Table III.6B), both the emergency program activities and the regular program interventions would be expanded. More women and children in coca eradicated areas would be provided with immediate supplemental food and access to credit and quick-income generating employment. Likewise, regular Alternative Development program interventions aimed at increasing the household income levels, improving the social conditions with larger coverage of quality basic services, and strengthening local governments and other organizations would be expanded within the target areas. As a result, the coca reduction target could be achieved earlier, by the end of FY 2003, allowing for a larger time span to implement program consolidation activities aimed at increasing and strengthening a licit economy with a sustained level of coca production for legal consumption only.

Under the low option budget level (Table III.6C), emergency program activities would be drastically reduced and negative effects on at-risk populations would not be adequately mitigated. The SpO reduction target of eliminating coca production for illicit purposes would not be achieved until FY 2005 at the earliest and there would not be sufficient time to consolidate a licit economy strong enough to sustain the reduced level of coca cultivation. The likelihood that coca fields could be rehabilitated or new plantations made would significantly increase.

**Note:** Since the approval of this Strategy, USAID/Peru has learned that it will receive additional resources in FY 2002 and FY 2003, as part of State Department, International Narcotics and Law Enforcement (INL) funds. The additional funding of \$54 million each for FY 2002 and FY

2003 will be used to deepen and expand some interventions to consolidate ADP achievements and ensure its sustainability, as well as to initiate new interventions included in the new SpO strategy. Chief among them are the development of ADP policy and legislation to improve the legal and institutional framework; strengthening of local governments and other community-based institutions in support of ADP interventions; support to the decentralization effort, conflict resolution and other interventions to increase public participation in democratic processes; expansion of financial services, such as credit, to participating farmers; and the leveraging of a significant amount of resources from the GOP-IDB loan agreement for road rehabilitation and maintenance within coca-growing areas. In addition, new ADP interventions will be initiated to address the negative socio-economic effects of coca eradication activities and the forest management and environmental concerns, as well as to finance social marketing activities to increase the public support to the alternative development process. The SpO5 team recognizes that as implementation of the strategy continues, the geographic focus of coca production may shift to new areas or return to earlier ones in spite of AD efforts and the success of Plan Colombia. As recommended by USAID/Washington, the ADP will remain flexible to cover for this possibility and the subsequent need for a rapid response.

As indicated by USAID/Washington, the additional \$54 million each for FY 2002 and FY 2003 will be made available from the Andean Regional Initiative (ARI), bringing the OYB for each year to \$79 million.

**USAID/PERU STRATEGIC PLAN 2002-2006**  
**ESTIMATED PROGRAM BUDGET**  
 (Base)  
 US\$

TABLE III.6A

		FY 2000 OYB	FY 2001 CP Level (*)	PLANNING PERIOD					(Planning Period) 2002-2006
				FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	TOTAL
SpO5	Sustained Reduction of Illicit Drug Crops in Target Areas of Peru	25,000,000	26,500,000	30,000,000	30,000,000	30,000,000	25,000,000	25,000,000	140,000,000
Economic Support Funds									
A. Ongoing Activities									
Mission									
527-0348	Alternative Development	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000	125,000,000
IR 5.1.1	Increase Household Income from Licit Economic Activities	13,000,000	12,000,000	14,000,000	15,000,000	14,000,000	13,000,000	12,000,000	68,000,000
IR 5.1.2	Improved Social Conditions	10,000,000	11,000,000	9,500,000	8,500,000	9,000,000	10,000,000	12,000,000	49,000,000
IR 5.1.3	Improve Policy and Institutional Framework	2,000,000	2,000,000	1,500,000	1,500,000	2,000,000	2,000,000	1,000,000	8,000,000
B. New Activities									
527-0348	Emergency Program for Reducing the Social, Economic and Food Security Problems in Coca Eradicated Areas of Tocache, Uchiza, Aucayacu and Monzon	-	1,500,000	5,000,000	5,000,000	5,000,000	-	-	15,000,000
PROGRAM TOTAL		25,000,000	26,500,000	30,000,000	30,000,000	30,000,000	25,000,000	25,000,000	140,000,000

(\*) The requirement of \$1,500,000 for the emergency program in FY2001 is expected to become available as a supplemental budget from INL/NAS and was not originally included in the FY2001 CP Level.



**USAID/PERU STRATEGIC PLAN 2002-2006**  
**ESTIMATED PROGRAM BUDGET**  
 (High Option +10%)  
 US\$

TABLE III.6B

		PLANNING PERIOD							(Planning Period) 2002-2006
		FY 2000 OYB	FY 2001 CP Level (*)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	TOTAL
SpO5	Sustained Reduction of Illicit Drug Crops in Target Areas of Peru	25,000,000	26,500,000	33,000,000	33,000,000	33,000,000	27,500,000	27,500,000	154,000,000
Economic Support Funds									
A. Ongoing Activities									
Mission									
527-0348	Alternative Development	25,000,000	25,000,000	26,000,000	26,000,000	27,000,000	27,500,000	27,500,000	134,000,000
IR 5.1.1	Increase Household Income from Licit Economic Activities	13,000,000	12,000,000	14,500,000	15,000,000	16,000,000	15,500,000	14,500,000	75,500,000
IR 5.1.2	Improved Social Conditions	10,000,000	11,000,000	10,000,000	9,500,000	9,000,000	10,000,000	12,000,000	50,500,000
IR 5.1.3	Improve Policy and Institutional Framework	2,000,000	2,000,000	1,500,000	1,500,000	2,000,000	2,000,000	1,000,000	8,000,000
B. New Activities									
527-0348	Emergency Program for Reducing the Social, Economic and Food Security Problems in Coca Eradicated Areas of Tocache, Uchiza, Aucayacu and Monzon	-	1,500,000	7,000,000	7,000,000	6,000,000	-	-	20,000,000
PROGRAM TOTAL		25,000,000	26,500,000	33,000,000	33,000,000	33,000,000	27,500,000	27,500,000	154,000,000

(\*) The requirement of \$1,500,000 for the emergency program in FY2001 is expected to become available as a supplemental budget from INL/NAS and was not originally included in the FY2001 CP Level.

**USAID/PERU STRATEGIC PLAN 2002-2006**  
**ESTIMATED PROGRAM BUDGET**  
(Low Option -10%)  
US\$

TABLE III.6C

		FY 2000 OYB	FY 2001 CP Level (*)	PLANNING PERIOD					(Planning Period) 2002-2006
				FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	TOTAL
SpO5	Sustained Reduction of Illicit Drug Crops in Target Areas of Peru	25,000,000	26,500,000	27,000,000	27,000,000	27,000,000	22,500,000	22,500,000	126,000,000
Economic Support Funds									
A. Ongoing Activities									
Mission									
527-0348	Alternative Development	25,000,000	25,000,000	24,000,000	24,000,000	23,500,000	22,500,000	22,500,000	116,500,000
IR 5.1.1	Increase Household Income from Licit Economic Activities	13,000,000	12,000,000	13,500,000	14,250,000	14,000,000	13,500,000	11,000,000	66,250,000
IR 5.1.2	Improved Social Conditions	10,000,000	11,000,000	9,000,000	8,250,000	8,500,000	8,000,000	10,500,000	44,250,000
IR 5.1.3	Improve Policy and Institutional Framework	2,000,000	2,000,000	1,500,000	1,500,000	1,000,000	1,000,000	1,000,000	6,000,000
B. New Activities									
527-0348	Emergency Program for Reducing the Social, Economic and Food Security Problems in Coca Eradicated Areas of Tocache, Uchiza, Uacayacu and Monzon	-	1,500,000	3,000,000	3,000,000	3,500,000	-	-	9,500,000
PROGRAM TOTAL									126,000,000

(\*) The requirement of \$1,500,000 for the emergency program in FY2001 is expected to become available as a supplemental budget from INL/NAS and was not originally included in the FY2001 CP Level.

## **Special Objective # 6: Expanded Opportunities for Girls' Quality Basic Education in Targeted Rural Areas**

SpO6 has had and will continue to have a relatively small budget (Table III.7A); however, the Mission has been fortunate in achieving notable impact with limited resources. The budget request covers the five years of the strategy. At the end of the strategy period, the Mission will review the achievements of the special objective on girls' education and determine if the focus on rural girls and basic education remains a vital area for USAID investment and if this focus continues to be consistent with Peru's development needs. Depending upon this assessment, the Mission will decide how to formulate human capacity development activities and a corresponding strategic objective for the following five year strategy and will develop its resource needs accordingly.

If the Mission were to receive 10% additional funds (Table III.7B) for girls' education, the SpO6 team would elect to increase funding for IR 6.2 (Girls' increased access to and permanence in quality basic education services in target areas) in order to provide support for interventions that will inform the policy work planned in IR 6.2 and instigate local interest and activities that will lead to improved policies and programs in favor of girls' education. In order for girls to enroll in pre-school and primary school at the normative age, to stay in school and proceed through the primary grades in a timely fashion and to graduate from 6<sup>th</sup> grade with appropriate skills, several changes need to occur. Depending upon local conditions, these changes may include new teaching methodologies and materials, improved infrastructure with special attention to sanitary services for girls and family and community-level adjustments that lead to increased support for girls' school attendance and achievement. The type of activities envisioned under IR 6.2 provide the basis for recommending policy changes and for working at the local level to develop community interest and commitment to girls' education.

If resources were reduced by 10% (Table III.7C), it will affect the achievement of results under IR 6.1 (Improved policy, regulatory and institutional framework). The Mission's contribution to the G/WID, GWE (global) girls' education activities in Peru would decrease from \$250,000 annually for three years to \$150,000 annually for three years. Such a reduction would slow the momentum that the project known as New Horizons has established for increasing local investment in girls' quality basic education. The Mission will not be able to undertake major research that will increase knowledge on the factors that affect girls' quality education. It will affect the consolidation of the National Network for Girls' Education, which has a multi-sectoral representation, including members from the Government, civil society and international technical cooperation agencies, and is supported by the GWE activity. Therefore, the effectiveness of local demand for increased public investment and accountability in quality basic education. Further reductions will affect the possibility of accessing the G/HCD initiatives to provide technical assistance to the Ministry of Education (MOE) for developing or improving policies that will impact the quality of rural education, particularly for girls; and for improving MOE's statistical and analysis capabilities, which in turn would help the GOP in its decision-making processes.

**Note:** Following USAID/Washington's recommendation, the Mission has requested an additional \$1.5 million per year in its FY 2000-FY 2003 R4, in order to mount a larger scale effort in basic education in Peru, and change the special objective to a full strategic objective. The proposed SO will require a total of \$10 million for FY 2002-FY 2006 to expand the ongoing activities from the pilot stage to proven models ready for wide dissemination. In addition, greater emphasis will be given to policy work as well as to the development of models for decentralized quality basic education in rural areas.

**USAID/PERU STRATEGIC PLAN 2002-2006**  
**ESTIMATED PROGRAM BUDGET**  
 (Base)  
 US\$

TABLE III.7A

		PLANNING PERIOD							(Planning Period) 2002-2006
		FY 2000 OYB	FY 2001 CP Level	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	TOTAL
SpO6	Expanded Opportunities for Girls Quality Basic Education in Targeted Rural Areas	1,200,000	1,100,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	5,000,000
Child Survival									
A. Ongoing Activities									
Mission		900,000	55,000	5,000	5,000	5,000	5,000	5,000	25,000
527-0000	Program Development and Support	-	5,000	5,000	5,000	5,000	5,000	5,000	25,000
527-0398	Opening Doors	900,000	50,000	-	-	-	-	-	-
B. New Activities		-	445,000	745,000	745,000	745,000	995,000	995,000	4,225,000
IR 6.1 *	Improved policy, regulatory and institutional framework	-	50,000	130,000	150,000	170,000	200,000	145,000	795,000
IR 6.2 **	Girls' increased access to and permanence in quality basic education services in target areas	-	195,000	495,000	395,000	375,000	595,000	650,000	2,510,000
IR 6.3	Improved and sustainable local capacity to implement policies and programs that support quality education for girls in target areas	-	200,000	120,000	200,000	200,000	200,000	200,000	920,000
Global -		300,000	600,000	250,000	250,000	250,000	-	-	750,000
936-5848	GWE-Girls and Women Education	300,000	500,000	250,000	250,000	250,000	-	-	750,000
936-5862	BEPS- Basic Education Policy and Support	-	100,000	-	-	-	-	-	-
PROGRAM TOTAL		1,200,000	1,100,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	5,000,000

\*Could be used for buy-in to the G/HCD BEPS project

\*\* Includes funds to expand Opening Doors

**USAID/PERU STRATEGIC PLAN 2002-2006**  
**ESTIMATED PROGRAM BUDGET**  
 (High Option +10%)  
 US\$

**TABLE III.7B**

		PLANNING PERIOD						(Planning Period) 2002-2006	
		FY 2000 OYB	FY 2001 CP Level	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	TOTAL
SpO6	Expanded Opportunities for Girls Quality Basic Education in Targeted Rural Areas	1,200,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	600,000	5,000,000
Child Survival									
A. Ongoing Activities									
Mission		900,000	55,000	5,000	5,000	5,000	5,000	5,000	25,000
527-0000	Program Development and Support	-	5,000	5,000	5,000	5,000	5,000	5,000	25,000
527-0398	Opening Doors	900,000	50,000			-	-		-
B. New Activities									
		-	445,000	845,000	845,000	845,000	1,095,000	595,000	4,225,000
IR 6.1 *	Improved policy, regulatory and institutional framework	-	50,000	130,000	150,000	170,000	200,000	145,000	795,000
IR 6.2 **	Girls' increased access to and permanence in quality basic education services in target areas	-	195,000	595,000	495,000	475,000	695,000	250,000	2,510,000
IR 6.3	Improved and sustainable local capacity to implement policies and programs that support quality education for girls in target areas	-	200,000	120,000	200,000	200,000	200,000	200,000	920,000
Global		300,000	600,000	250,000	250,000	250,000	-	-	750,000
936-5848	GWE-Girls and Women Education	300,000	500,000	250,000	250,000	250,000	-	-	750,000
936-5862	BEPS- Basic Education Policy and Support	-	100,000	-	-	-	-	-	
PROGRAM TOTAL		1,200,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	600,000	5,000,000

\* Could be used for buy-in to the G/HCD BEPS project

\*\* Includes funds to expand Opening Doors

**USAID/PERU STRATEGIC PLAN 2002-2006**  
**ESTIMATED PROGRAM BUDGET**  
(Low Option -10%)  
US\$

**TABLE III.7C**

		PLANNING PERIOD							(Planning Period) 2002-2006
		FY 2000 OYB	FY 2001 CP Level	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	TOTAL
SpO6	Expanded Opportunities for Girls Quality Basic Education in Targeted Rural Areas	1,200,000	1,100,000	900,000	900,000	900,000	900,000	900,000	4,500,000
Child Survival									
A. Ongoing Activities									
Mission		900,000	55,000	5,000	5,000	5,000	5,000	5,000	25,000
527-0000	Program Development and Support	-	5,000	5,000	5,000	5,000	5,000	5,000	25,000
527-0398	Opening Doors	900,000	50,000	-	-	-	-	-	-
B. New Activities		-	445,000	745,000	745,000	745,000	895,000	895,000	4,025,000
IR 6.1 *	Improved policy, regulatory and institutional framework	-	50,000	130,000	150,000	170,000	100,000	65,000	615,000
IR 6.2 **	Girls' increased access to and permanence in quality basic education services in target areas	-	195,000	495,000	395,000	375,000	595,000	650,000	2,510,000
IR 6.3	Improved and sustainable local capacity to implement policies and programs that support quality education for girls in target areas	-	200,000	120,000	200,000	200,000	200,000	180,000	900,000
Global		300,000	600,000	150,000	150,000	150,000	-	-	450,000
936-5848	GWE- Girls and Women Education	300,000	500,000	150,000	150,000	150,000	-	-	450,000
936-5862	BEPS- Basic Education Policy and Support	-	100,000	-	-	-	-	-	
PROGRAM TOTAL		1,200,000	1,100,000	900,000	900,000	900,000	900,000	900,000	4,500,000

\* Could be used for buy-in to the G/HCD BEPS project

\*\* Includes funds to expand Opening Doors

### **Special Objective # 7: Improved Quality of Life of Peruvians along the Peru-Ecuador Border Target Areas**

As a result of the first meeting of the Peru Ecuador Consultative Group held in March 2000, the USG formally committed \$40 million in support of the Peru-Ecuador Binational Development Plan. Of this amount, \$20 million will be provided to Peru in increments of \$5 million annually over a four-year period, FY 2000-2003. However, the Mission is requesting an additional \$15 million, \$5 million in 2004, 2005 and 2006, totaling \$25 million (Table III.8A) for the planning period (FY 2002-2006). With this level of resources the SpO seeks to implement a range of activities intended to develop skills for designing, implementing and monitoring community basic services; strengthen local governments and grassroots organizations; provide the target population with tools to take advantage of economic opportunities from border development integration; build and rehabilitate basic social infrastructure; improve and establish basic social services such as education, health care and protection of civil rights to improve border residents' living conditions; and promote intercultural and cross-border linkages between the peoples of Peru and Ecuador to enhance mutual understanding between the two countries. In addition, this level of resources will be able to support of the Mission's overall goal to strengthen Peru's democracy and governance.

Under a plus 10% scenario (Table III.8B), the SpO will be able to expand its coverage and reach a large proportion of the 2.9 million Peruvians living in the communities of the border region.

Under the minus 10% low option (Table III.8C), the Mission's ability to achieve the SpO would be seriously affected. Efforts aimed at protecting civil rights (awareness and information campaigns, establishment of centers for human rights services) and enhancing cross-border activities (binational exchanges, conferences, seminars and trade fairs) to support the Peace Accords would be negatively impacted.

USAID/PERU STRATEGIC PLAN 2002-2006  
ESTIMATED PROGRAM BUDGET  
(Base)  
US\$

TABLE III.8A

	FY 2000 OYB	FY 2001 CP Level	PLANNING PERIOD					(Planning Period) 2002-2006
			FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	TOTAL
<b>Sp07 Improved Quality of Life of Peruvians Along the Peru-Ecuador Border Target Areas</b>	5,500,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	25,000,000
<b>Economic Support Funds</b>								25,000,000
598-0858 Peru-Ecuador Border Regional Development	5,500,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	25,000,000
IR 7.1 Increased Capacity of Border Communities to Manage Border Development Processes	1,544,000	1,240,000	1,240,000	1,240,000	1,240,000	1,240,000	1,240,000	6,200,000
IR 7.2 Improved Basic Capacities for a Healthy and Productive Life	2,318,000	2,370,000	2,370,000	2,370,000	2,370,000	2,370,000	2,370,000	11,850,000
IR 7.3 Increased Respect and Protection of Rights of Border Population, Particularly those of Women and Indigenous People	874,000	740,000	740,000	740,000	740,000	740,000	740,000	3,700,000
IR 7.4 Increased Support to Peace Accords	764,000	650,000	650,000	650,000	650,000	650,000	650,000	3,250,000
<b>PROGRAM TOTAL</b>	<b>5,500,000</b>	<b>5,000,000</b>	<b>5,000,000</b>	<b>5,000,000</b>	<b>5,000,000</b>	<b>5,000,000</b>	<b>5,000,000</b>	<b>25,000,000</b>



USAID/PERU STRATEGIC PLAN 2002-2006  
ESTIMATED PROGRAM BUDGET  
(High Option +10%)  
US\$

TABLE III.8B

PLANNING PERIOD									(Planning Period) 2002-2006	
			FY 2000 OYB	FY 2001 CP Level	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	TOTAL
Sp07 Improved Quality of Life of Peruvians Along the Peru-Ecuador Border Target Areas			5,500,000	5,000,000	5,500,000	5,500,000	5,500,000	5,500,000	3,000,000	25,000,000
Economic Support Funds										25,000,000
598-0858	Peru-Ecuador Border Development	Regional	5,500,000	5,000,000	5,500,000	5,500,000	5,500,000	5,500,000	3,000,000	25,000,000
IR 7.1	Increased Capacity of Border Communities to Manage Border Development Processes		1,544,000	1,240,000	1,500,000	1,500,000	1,500,000	1,500,000	200,000	6,200,000
IR 7.2	Improved Basic Capacities for a Healthy and Productive Life		2,318,000	2,370,000	2,610,000	2,610,000	2,610,000	2,610,000	1,410,000	11,850,000
IR 7.3	Increased Respect and Protection of Rights of Border Population, Particularly those of Women and Indigenous People		874,000	740,000	740,000	740,000	740,000	740,000	740,000	3,700,000
IR7.4	Increased Support to Peace Accords		764,000	650,000	650,000	650,000	650,000	650,000	650,000	3,250,000
PROGRAM TOTAL			5,500,000	5,000,000	5,500,000	5,500,000	5,500,000	5,500,000	3,000,000	25,000,000

USAID/PERU STRATEGIC PLAN 2002-2006  
ESTIMATED PROGRAM BUDGET  
(Low Option -10%)  
US\$

TABLE III.8C

									(Planning Period) 2002-2006
		FY 2000 OYB	FY 2001 CP Level	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	TOTAL
SpO7 Improved Quality of Life of Peruvians Along the Peru-Ecuador Border Target Areas		5,500,000	5,000,000	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000	22,500,000
Economic Support Funds									22,500,000
598-0858	Peru-Ecuador Border Regional Development	5,500,000	5,000,000	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000	22,500,000
IR 7.1	Increased Capacity of Border Communities to Manage Border Development Processes	1,544,000	1,240,000	1,240,000	1,240,000	992,000	992,000	992,000	5,456,000
IR 7.2	Improved Basic Capacities for a Healthy and Productive Life	2,318,000	2,370,000	2,370,000	2,370,000	2,118,000	2,118,000	2,118,000	11,094,000
IR 7.3	Increased Respect and Protection of Rights of Border Population, Particularly those of Women and Indigenous People	874,000	740,000	496,000	496,000	740,000	740,000	740,000	3,212,000
IR 7.4	Increased Support to Peace Accords	764,000	650,000	394,000	394,000	650,000	650,000	650,000	2,738,000
PROGRAM TOTAL		5,500,000	5,000,000	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000	22,500,000

### **C. Program Management: Operating Expense and Workforce**

USAID/Peru has continued to scrutinize operating costs, strive for efficiencies, and seek innovative ways to do “more with less”. The Mission program continues to embrace four strategic objectives and three special objectives. Program funding levels are expected to remain more or less constant. Workload associated with program execution will also remain virtually unchanged over the 5-year strategy period. However, the cost of managing that workload will not remain constant. Inflation, even at a low rate, when compounded over the 5-year period will significantly reduce the buying power of operating expense dollars.

In an effort to counter the effect of inflation and keep staffing at a level which can reasonably be supported under the annual operating expense allowances, the Mission moved to reduce staff. On-board employees were reduced from 155 at the end of FY 1999 to 148 at the end of FY 2000. The 148 level is projected to remain stable through FY 2006. However, effective management of workforce and efficiencies in operations are not the only factors driving Mission costs. Trends in the Host Country labor market weigh heavily on the cost of Foreign Service National (FSN) Staff and exchange rate fluctuations impact directly on all costs which have to be paid locally.

Through effective management of the workforce and other steps to cut operating costs the Mission reduced its estimated FY 2001 budget reported in the R4, to the AID/Washington mandated level of \$5,580,000. However, this level projected an exchange rate of soles 3.90 to US\$ 1. Current best estimates are significantly lower and have the potential to increase costs by close to \$400,000. Furthermore, the \$5,580,000 budget amount does not provide any flexibility for larger than anticipated FSN salary increases or any significant unforeseen expenses such as long term medical evacuations, special education allowances, unanticipated moves of USDH staff, etc. Additionally, there is no provision within this level for added costs which the Mission will incur in fulfilling its role as a regional business center providing financial management, legal, contracting, and executive office services to USAID/Colombia and USAID/Ecuador.

Continued judicious use of funds will allow USAID/Peru to minimize annual cost increases. However, even superb management of resources will not allow straightlining of operating expense levels into FY 2002. If the Mission is forced to operate in FY 2002 at the \$5,680,000 level, it will be forced to do “less with less”. Eighty-six percent of the operating expense budget covers salaries and benefits, rent, entitlement travel, security services, and other non-discretionary items. Therefore, any significant cut in the budget will require staff reductions, which would have a direct and negative impact on program implementation. To continue operations in FY 2002 at the same program levels and with the same implementation methodologies and modalities will require an operating expense level estimated to be \$6,144,000. This increase of \$464,000 represents only a 8.2 percent increase over FY 2000 actual expenses and shows that the Mission is partially absorbing the effects of inflation considering that FSN salary increases are projected to average 10 percent per year. Salary increases in the period 1995 – 2000 actually averaged more than 12 percent annually.

Once the Mission clears the hurdle of Fiscal Year 2002, it will be able to live with a straightlining – or even a slight decrease - of operating expense funds through the remainder of the 5-year strategy period. During fiscal years 2003 – 2006, there are only modest changes in individual object classes. Moderate salary increases continue to be projected and these amounts are offset by expected exchange rate gains and savings resulting from the move to a U.S. Government owned office building which is currently under construction on the Embassy grounds. Total savings from the move – including office rent, vehicle costs, guard services, etc. – is more than \$600,000 per year.

While every effort has been made to provide viable and sound operating expense budget projections, we must be ever mindful of the factors, which could undercut all the careful calculations. One significant unknown is the full impact of Plan Colombia on USAID/Peru's operating expenses. While the USAID/Colombia budget – especially the operating expense funds which have been provided under the supplemental appropriation for the first year of the program – will cover costs incurred in Colombia and some costs incurred in Peru, there are ancillary expenses such as certain travel costs, backup support in Peru for regional staff on extended TDY in Colombia, support of USAID/Colombia staff on TDY in Peru, which will have to be borne by USAID/Peru. It is impossible to calculate these costs until the duration, composition, and implementation methodologies of the USAID/Colombia program are clearer. In short, the ability of USAID/Peru to function effectively and efficiently within projected operating expense budget levels for fiscal years 2002 through 2006, is tied to USAID programs in the region and not just to changes in Peru.

# Workforce Table

Table III.9

<b>USAID/PERU</b> End of year On-Board <b>FY 2002-2006</b>	SO1	SO2	SO3	SO4	SpO5	SpO6	SpO7	Total SO/SpO	Org. Mgmt.	Fin. Mgmt	Admin. Mgmt	Con- tract	Legal	All Other	Total Mgmt.	Total Staff
<b>OE Funded: 1/</b>																
U.S. Direct Hire	2	2	2	1	2			9	4	2	1	1	1		9	18
Other U.S. Citizens								0	1		1				2	2
FSN/TCN Direct Hire	1							1	1.5	2	6	2	0.5		12	13
Other FSN/TCN	1	2	1	1	1			6	6	20	37	3			66	72
Subtotal	4	4	3	2	3	0	0	16	12.5	24	45	6	1.5	0	89	105
<b>Program Funded 1/</b>																
U.S. Citizens		1	1		2			4							0	4
FSNs/TCNs	5	7	10	4	9	1.5	1.5	38	1						1	39
Subtotal	5	8	11	4	11	1.5	1.5	42	1	0	0	0	0	0	1	43
Total Direct Workforce	9	12	14	6	14	1.5	1.5	58	13.5	24	45	6	1.5	0	90	148
TAACS								0							0	0
Fellows								0							0	0
IDIs								0							0	0
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL WORKFORCE</b>	<b>9</b>	<b>12</b>	<b>14</b>	<b>6</b>	<b>14</b>	<b>1.5</b>	<b>1.5</b>	<b>58</b>	<b>13.5</b>	<b>24</b>	<b>45</b>	<b>6</b>	<b>1.5</b>	<b>0</b>	<b>90</b>	<b>148</b>

TABLE III.10

Org. Title: USAID/PERU		FY 2002 Target			FY 2003 Target			FY 2004 Target			FY 2005 Target			FY 2006 Target		
Org. No: OE-25527		Dollars TF Total			Dollars TF Total			Dollars TF Total			Dollars TF Total			Dollars TF Total		
OC																
11.1	Personnel compensation, full-time permanent	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
11.1	Base Pay & pymt. for annual leave balances – FNDH			412.8	419.5		419.5	426.0		426.0	432.4		432.4	438.9		438.9
	Subtotal OC 11.1	412.8	0.0	412.8	419.5	0.0	419.5	426.0	0.0	426.0	432.4	0.0	432.4	438.9	0.0	438.9
11.3	Personnel comp. - other than full-time permanent	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
11.3	Base Pay & pymt. for annual leave balances – FNDH			0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
	Subtotal OC 11.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
11.5	Other personnel compensation	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
11.5	USDH	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
11.5	FNDH	30.0		30.0	30.0		30.0	30.0		30.0	30.0		30.0	30.0		30.0
	Subtotal OC 11.5	30.0	0.0	30.0	30.0	0.0	30.0	30.0	0.0	30.0	30.0	0.0	30.0	30.0	0.0	30.0
11.8	Special personal services payments	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
11.8	USPSC Salaries	147.6		147.6	152.0		152.0	156.5		156.5	161.2		161.2	166.1		166.1
11.8	FN PSC Salaries	1512.6		1512.6	1547.3		1547.3	1579.5		1579.5	1609.9		1609.9	1639.5		1639.5
11.8	IPA/Details-In/PASAs/RSSAs Salaries	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
	Subtotal OC 11.8	1660.2	0.0	1660.2	1699.3	0.0	1699.3	1736.0	0.0	1736.0	1771.1	0.0	1771.1	1805.6	0.0	1805.6
12.1	Personnel benefits	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
12.1	USDH benefits	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
12.1	Educational Allowances	289.6		289.6	289.4		289.4	307.8		307.8	410.3		410.3	408.0		408.0
12.1	Cost of Living Allowances	61.3		61.3	63.2		63.2	65.0		65.0	67.0		67.0	69.0		69.0
12.1	Home Service Transfer Allowances	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
12.1	Quarters Allowances	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
12.1	Other Misc. USDH Benefits	26.2		26.2	21.5		21.5	16.9		16.9	24.7		24.7	26.2		26.2
12.1	FNDH Benefits	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
12.1	** Payments to FSN Voluntary Separation Fund – FNDH			34.1	37.3		37.3	38.0		38.0	38.5		38.5	39.0		39.0
12.1	Other FNDH Benefits	102.3		102.3	103.8		103.8	101.2		101.2	104.9		104.9	104.4		104.4
12.1	US PSC Benefits	4.3		4.3	4.4		4.4	4.4		4.4	4.4		4.4	4.4		4.4
12.1	FN PSC Benefits	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
12.1	** Payments to the FSN Voluntary Separation Fund - FN PSC			34.1	138.0		37.3	141.3		38.0	142.2		38.5	144.2		144.2
12.1	Other FN PSC Benefits	459.6		102.3	458.1		103.8	451.7		101.2	451.8		104.9	444.7		444.7
12.1	IPA/Detail-In/PASA/RSSA Benefits	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
	Subtotal OC 12.1	1114.5	0.0	654.1	1115.7	0.0	660.7	1126.3	0.0	672.4	1243.8	0.0	793.2	1239.9	0.0	1239.9
13.0	Benefits for former personnel	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
13.0	FNDH	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
13.0	Severance Payments for FNDH	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
13.0	Other Benefits for Former Personnel – FNDH			0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
13.0	FN PSCs	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
13.0	Severance Payments for FN PSCs	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
13.0	Other Benefits for Former Personnel - FN PSCs			0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0

Org. Title: USAID/PERU																
Org. No: OE-25527																
OC		FY 2002 Target			FY 2003 Target			FY 2004 Target			FY 2005 Target			FY 2006 Target		
		Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total
Subtotal OC 13.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
21.0	Travel and transportation of persons	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
21.0	Training Travel	100.0		100.0	100.0		100.0	100.0		100.0	100.0		100.0	100.0		100.0
21.0	Mandatory/Statutory Travel	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
21.0	Post Assignment Travel - to field	24.5		24.5	15.2		15.2	4.9		4.9	22.8		22.8	24.5		24.5
21.0	Assignment to Washington Travel	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
21.0	Home Leave Travel	39.8		39.8	38.0		38.0	36.2		36.2	39.8		39.8	40.7		40.7
21.0	R & R Travel	22.5		22.5	24.9		24.9	22.8		22.8	22.8		22.8	29.8		29.8
21.0	Education Travel	15.6		15.6	13.4		13.4	11.2		11.2	13.4		13.4	9.0		9.0
21.0	Evacuation Travel	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
21.0	Retirement Travel	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
21.0	Pre-Employment Invitational Travel	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
21.0	Other Mandatory/Statutory Travel	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
21.0	Operational Travel	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
21.0	Site Visits - Headquarters Personnel	17.0		17.0	17.0		17.0	17.0		17.0	17.0		17.0	17.0		17.0
21.0	Site Visits - Mission Personnel	42.0		42.0	42.0		42.0	42.0		42.0	42.0		42.0	42.0		42.0
21.0	Conferences/Seminars/Meetings/Retreats	24.0		24.0	24.0		24.0	24.0		24.0	24.0		24.0	24.0		24.0
21.0	Assessment Travel	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
21.0	Impact Evaluation Travel	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
21.0	Disaster Travel (to respond to specific disasters)			0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
21.0	Recruitment Travel	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
21.0	Other Operational Travel	106.0		106.0	106.0		106.0	106.0		106.0	106.0		106.0	106.0		106.0
Subtotal OC 21.0		391.4	0.0	391.4	380.5	0.0	380.5	364.1	0.0	364.1	387.8	0.0	387.8	393.0	0.0	393.0
22.0	Transportation of things	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
22.0	Post assignment freight	134.1		134.1	71.0		71.0	18.9		18.9	115.6		115.6	153.3		153.3
22.0	Home Leave Freight	85.5		85.5	60.1		60.1	57.1		57.1	72.9		72.9	73.6		73.6
22.0	Retirement Freight	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
22.0	Transportation/Freight for Office Furniture/Equip.			22.0	14.0		14.0	15.9		15.9	14.9		14.9	7.7		7.7
22.0	Transportation/Freight for Res. Furniture/Equip.	39.7		39.7	41.7		41.7	44.8		44.8	45.9		45.9	46.9		46.9
Subtotal OC 22.0		281.3	0.0	281.3	186.8	0.0	186.8	136.7	0.0	136.7	249.3	0.0	249.3	281.5	0.0	281.5
23.2	Rental payments to others	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
23.2	Rental Payments to Others - Office Space	490.0		490.0	180.0		180.0	0.0		0.0	0.0		0.0	0.0		0.0
23.2	Rental Payments to Others - Warehouse Space	43.3		43.3	44.6		44.6	46.9		46.9	48.3		48.3	49.8		49.8
23.2	Rental Payments to Others - Residences	548.8		548.8	541.0		541.0	551.5		551.5	561.7		561.7	599.1		648.9
Subtotal OC 23.2		1082.1	0.0	1082.1	765.6	0.0	765.6	598.4	0.0	598.4	610.0	0.0	610.0	648.9	0.0	698.7
23.3	Communications, utilities, and miscellaneous charges	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
23.3	Office Utilities	45.0		45.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
23.3	Residential Utilities	105.4		105.4	108.5		108.5	111.7		111.7	115.1		115.1	124.5		124.5
23.3	Telephone Costs	43.3		43.3	44.5		44.5	45.9		45.9	47.3		47.3	48.7		48.7
23.3	ADP Software Leases	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
23.3	ADP Hardware Lease	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0

<b>Org. Title: USAID/PERU</b>																
<b>Org. No: OE-25527</b>																
OC		FY 2002 Target			FY 2003 Target			FY 2004 Target			FY 2005 Target			FY 2006 Target		
		Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total
23.3	Commercial Time Sharing	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
23.3	Postal Fees (Other than APO Mail)	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
23.3	Other Mail Service Costs	3.1		3.1	3.1		3.1	3.1		3.1	3.1		3.1	3.1		3.1
23.3	Courier Services	2.2		2.2	2.2		2.2	2.2		2.2	2.2		2.2	2.2		2.2
	Subtotal OC 23.3	199.0	0.0	199.0	158.3	0.0	158.3	162.9	0.0	162.9	167.7	0.0	167.7	178.5	0.0	178.5
24.0	Printing and Reproduction	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
	Subtotal OC 24.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
25.1	Advisory and assistance services	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.1	Studies, Analyses, & Evaluations	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
25.1	Management & Professional Support Services	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
25.1	Engineering & Technical Services	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
	Subtotal OC 25.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
25.2	Other services	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.2	Office Security Guards	138.6		138.6	65.4		65.4	67.4		67.4	69.4		69.4	71.5		71.5
25.2	Residential Security Guard Services	140.4		140.4	144.6		144.6	149.0		149.0	153.4		153.4	158.1		158.1
25.2	Official Residential Expenses	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
25.2	Representation Allowances	2.0		2.0	2.0		2.0	2.0		2.0	2.0		2.0	2.0		2.0
25.2	Non-Federal Audits	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
25.2	Grievances/Investigations	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
25.2	Insurance and Vehicle Registration Fees	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
25.2	Vehicle Rental	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
25.2	Manpower Contracts	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
25.2	Records Declassification & Other Records Services	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
25.2	Recruiting activities	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
25.2	Penalty Interest Payments	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
25.2	Other Miscellaneous Services			124.0	109.0		109.0	109.0		109.0	109.0		109.0	109.0		109.0
25.2	Staff training contracts	50.0		50.0	50.0		50.0	50.0		50.0	50.0		50.0	50.0		50.0
25.2	ADP related contracts	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
	Subtotal OC 25.2	455.0	0.0	455.0	371.0	0.0	371.0	377.4	0.0	377.4	383.8	0.0	383.8	390.6	0.0	390.6
25.3	Purchase of goods and services from Government accounts				Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.3	ICASS	112.2		112.2	285.0		285.0	293.6		293.6	302.4		302.4	311.4		311.4
25.3	All Other Services from Other Gov't. accounts	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
	Subtotal OC 25.3	112.2	0.0	112.2	285.0	0.0	285.0	293.6	0.0	293.6	302.4	0.0	302.4	311.4	0.0	311.4
25.4	Operation and maintenance of facilities	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.4	Office building Maintenance	45.6		45.6	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
25.4	Residential Building Maintenance	22.0		22.0	20.0		20.0	15.0		15.0	26.0		26.0	24.0		24.0
	Subtotal OC 25.4	67.6	0.0	67.6	20.0	0.0	20.0	15.0	0.0	15.0	26.0	0.0	26.0	24.0	0.0	24.0
25.6	Medical Care	10.0		10.0	10.0		10.0	10.0		10.0	10.0		10.0	10.0		10.0
	Subtotal OC 25.6	10.0	0.0	10.0	10.0	0.0	10.0	10.0	0.0	10.0	10.0	0.0	10.0	10.0	0.0	10.0



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OC		FY 2002 Target			FY 2003 Target			FY 2004 Target			FY 2005 Target			FY 2006 Target		
		Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total
25.7	Operation/maintenance of equipment & storage of goods				Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.7	ADP and telephone operation and maintenance costs			17.0	17.0		17.0	17.0		17.0	17.0		17.0	17.0		17.0
25.7	Storage Services	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
25.7	Office Furniture/Equip. Repair and Maintenance	24.0		24.0	24.0		24.0	24.0		24.0	24.0		24.0	24.0		24.0
25.7	Vehicle Repair and Maintenance	10.0		10.0	10.0		10.0	10.0		10.0	10.0		10.0	10.0		10.0
25.7	Residential Furniture/Equip. Repair and Maintenance			2.0	2.0		2.0	2.0		2.0	2.0		2.0	2.0		2.0
	Subtotal OC 25.7	53.0	0.0	53.0	53.0	0.0	53.0	53.0	0.0	53.0	53.0	0.0	53.0	53.0	0.0	53.0
25.8	Subsistence & spt. of persons (by contract or Gov't.)	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
	Subtotal OC 25.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
26.0	Supplies and materials	98.0		98.0	95.0		95.0	95.0		95.0	95.0		95.0	95.0		95.0
	Subtotal OC 26.0	98.0	0.0	98.0	95.0	0.0	95.0	95.0	0.0	95.0	95.0	0.0	95.0	95.0	0.0	95.0
31.0	Equipment	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
31.0	Purchase of Residential Furniture/Equip.	66.0		66.0	73.4		73.4	80.6		80.6	83.0		83.0	86.9		86.9
31.0	Purchase of Office Furniture/Equip.	66.1		66.1	10.0		10.0	28.0		28.0	19.4		19.4	19.9		19.9
31.0	Purchase of Vehicles	45.0		45.0	70.0		70.0	76.0		76.0	80.0		80.0	84.0		84.0
31.0	Purchase of Printing/Graphics Equipment	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
31.0	ADP Hardware purchases	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
31.0	ADP Software purchases	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
	Subtotal OC 31.0	177.1	0.0	177.1	153.4	0.0	153.4	184.6	0.0	184.6	182.4	0.0	182.4	190.8	0.0	190.8
32.0	Lands and structures	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
32.0	Purchase of Land & Buildings (& bldg. construction)			0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
32.0	Purchase of fixed equipment for buildings	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
32.0	Building Renovations/Alterations - Office	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
32.0	Building Renovations/Alterations - Residential	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
	Subtotal OC 32.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
42.0	Claims and indemnities	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
	Subtotal OC 42.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL BUDGET		6144.2	0.0	5683.8	5743.1	0.0	5288.1	5609.0	0.0	5155.2	5944.7	0.0	5494.1	6091.0	0.0	6140.8
R4 Level		5680.0			6144.2			6144.2			6144.2			6144.2		
Shortfall/ Overall		(464.2)			401.1			535.2			199.5			53.2		
Exchange Rate Used in Computations		3.8			4.1			4.5			4.9			5.3		

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## **PART IV: ANNEXES**

## **ANNEX I: MACROECONOMIC AND SOCIO-ECONOMIC TREND ANALYSIS**

The behavior of the Peruvian economy in the last five years has two marked periods, before and after 1998. The major events that drew the line between the two were El Niño and the 1997 through 1998 global financial crisis. Although the damages, both physical and economic, during the months that El Niño ravaged the northern part of Peru were significant<sup>22</sup>, it was the global financial crisis that seriously affected the economies of both the private and public sectors in Peru. In addition, the current political crisis has adversely affected Peru's economic recovery.

### **The Macroeconomic Stage**

At the end of 1998 the cumulative negative effects of El Niño and the global financial crisis caused an estimated damage to road and agricultural infrastructure of close to \$1.2 billion and a loss in export earnings of \$1.3 billion. Additionally, the financial crises brought a drastic reduction of international lines of credit that, in turn, contracted private investment by 15% in the last trimester of 1998. The overall growth rate of the Peruvian economy decreased, in a one-year period 7.1 percentage points, from 6.7% attained in 1997 to minus 0.4% in 1998. Overall economic growth of 1.4% achieved in 1999, below the 1.7% population growth rate, signaled a weak economic recovery that has turned out to be slower than expected<sup>23</sup>.

As a result, the Peruvian economy of the 1990s, characterized by an average growth rate of 4.2 % per year, slowed down at the end of the decade. Between 1995 and 1997 the economy grew at an average growth rate of 6% per year. In the last two years, from 1998 to 1999, the growth rate of the economy has been a mere half of one percent per year. By the end of 1999, GDP reached the nominal equivalent of \$52 billion, its lowest level since 1994, and on an annual per capita basis was the equivalent of \$2,065 or just \$125 above the level in 1994. In real terms, the equivalent dollar value of Peru's GDP has decreased at an average rate of 6% per year since 1997, and the equivalent dollar value of its per capita income has decreased at an average rate of 7.7 % per year during the same period.

The impact of the financial external shock was rapidly felt in the economy. During 1998, the combined negative effects of El Niño's aftermath and the global financial crisis took its economic toll. The reaction of the international financial system to the losses incurred in the Asian and Eastern financial markets resulted in additional curtailment of the international credit available to Peruvian banks, the reassessment of Peru's financial risk, and the increase of the cost of credit in the Peruvian economy. At the end of that year, what remained of the international financial community's confidence in Peru's emerging economy was again shattered by Brazil's economic turmoil.

During 1998, the external shocks' negative economic impact of El Niño and the global financial crisis were landmarks in Peru's economic performance, but the internal repercussions - the quasi-collapse of the private sector and the volatile nature of the financial system - are the legacies for the next few years.

As a result of the 1998 external shocks, the private and the public sectors had different economic performances in 1999. The financial crises highlighted differences in debt management between the private and the public sectors. The former became highly indebted, while the latter showed small, but positive, macroeconomic results.

The 1999 performance of the private sector as compared to that of the public sector made evident the different manner by which each type of debt was managed, previously and during the financial crises. The public sector financial macroeconomic management maintained low levels in the economic variables, but at a level high enough for Peru to weather the macro economic impact of the external shocks in a much better way than many of its neighboring countries. On the other hand, the private sector paid for years of excessive borrowing, encouraged by both an oversupply of credit and the wrongful assumption of a continuous expansion of demand for its products and services which at the end failed to materialize.

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<sup>22</sup> It has been estimated that El Niño, at its highest peak, slowed down GDP growth rate by as much as 4%.

<sup>23</sup> Recent released projections have now annual growth rate estimates hovering around 3.5% for 2000, two percentages points lower than the 5.5% that was expected at the beginning of the year.

**Major Macroeconomic Indicators, 1996- 2000**  
(Base Year: 1994)

	Actual				Preliminary
	1996	1997	1998	1999	2000
<b>Real Growth Rates (%)</b>					
GDP	2.5	6.7	-0.4	1.4	3.5-4.0
GDP per capita	0.7	4.8	-2.1	-0.3	1.8
Private Consumption per capita	0.0	8.0	-2.0	-1.8	2.0
Exports of Goods	0.4	2.3	-18.2	-6.7	1.5
Imports of Goods	4.2	-3.1	-5.1	-0.1	1.0
<b>Share of GDP (%)</b>					
Gross Domestic Investment	23.4	25.0	24.2	22.0	21.5
Gross Domestic Savings	17.2	19.4	17.8	18.5	18.0
Current Account Deficit	(6.2)	(5.2)	(6.4)	(3.5)	(3.5)
<b>Other</b>					
Inflation (CPI, % change)	11.5	8.5	7.3	3.5	4.0-4.5
Net International Reserves (months of imports)	13.2	15.5	12.9	12.3	14.0
Total Public & Private External Debt/GDP (medium and long term)	50.8	37.6	40.7	45.1	45.0
<b>Fiscal Accounts (% GDP)</b>					
Total Revenue	19.7	21.1	21.2	20.3	19.0
Total Expenditure	21.5	21.1	21.5	23.2	21.6
NFPS Balance	(1.8)	0.0	(0.3)	(2.9)	(2.6)

Source: INEI, BCRP

With a history of heavy borrowing in the 1970s and 1980s behind, the GOP, during the 1990s, placed the country's finances in order and built international reserves that helped cushion the recent external shocks. The private sector, instead of investing fresh new capital, opted for indebtedness with an obliging banking system that, in turn, acquired most of the funds via foreign lines of credit. The combination of El Niño and the global financial crisis was sufficient to fracture this unstable chain of credit. In a similar fashion, the increased demand for goods and services by households was sustained through the use of consumer credit, rather than through the depletion of savings or due to an increase in the households' real disposable income.

In addition, private sector borrowing did not translate necessarily into increased rates of profit or into a boost to future productivity. Similarly, consumer credit did not necessarily build household assets. All together, these financial behaviors finally became reflected in the quality of the loan portfolios held by the financial system, which deteriorated quickly causing the collapse of one bank, the governmental rescue operation of another, and the almost disappearance of consumer credit institutions. During 1999, other banks in the system remained close to the brink and the financial sector went through a major restructuring and merging that still seems not to have finished.

For the private sector this means that, in the short and medium term, there will likely be a low return to investment in those economic activities with slow growth. As a result, labor is now compensated at lower rates, expansion plans and new investments have been delayed, while cost reduction strategies, especially payroll reductions, are taking place, increasing both unemployment and the underemployment.

Inflation in Peru has been reduced to a single digit rate and has continuously decreased during the decade up to the point of becoming one of the least worrisome indicators in almost all future economic scenarios. As proposed, in its recently released multi-annual macroeconomic framework the GOP will

likely aim at reaching an inflation rate of between 1.5% - 2.5% in the year 2003, showing an intended decrease from the 3.5% level in 1999. Nevertheless, the recent oil price increases have had an impact on the inflation rate. On an annual basis inflation is now running at 4.2% and, if this tendency to increase continues, the GOP targets would be difficult to achieve.

### **Overall Macroeconomic Trends**

The way in which the present political crisis evolves and how it finally resolves itself, both at the national and international levels, are critical elements that influence heavily the current projections of macroeconomic trends in Peru. The possibility that important markets could be closed to Peruvian exports, multilateral loans denied, and foreign direct investment reduced as a result of political considerations is a paramount concern for estimating the trend of the growth rate of the economy.

In 1999, the commercial trade with the U.S. represented between 25 - 30% of Peru's total commercial trade, while the U.S. registered direct investment reached \$1.8 billion. Exports and direct foreign investments have been crucial to strengthening Peru's balance of payments in the past as the current account balance has been negative throughout the whole decade.

On the other hand, Peru's international financial position has shown among its liabilities a public and private external debt for the medium and long term of around 45% of the GDP, which together with a short-term external debt between 8 - 10% of GDP constitute a continuous pressure on Peru's finances. At the end of the second trimester of 2000, public and private external debt for the medium and the long-term was \$23.6 billion with public sector external debt representing almost 82% of that amount.

The present level of Peru's private sector domestic savings is not enough to sustain the investment required to generate the employment that will likely be demanded during the next five years. Therefore, the gap would have to be closed with foreign direct investment.

In today's analysis of the macro-economic trends in Peru the rate of growth that could be attained plays a pivotal role. If economic factors behave as they have previously, notwithstanding external shocks and barring any dramatic moves by the GOP in the economic front, we could expect an average growth rate for the next five years in the range of 4 - 4.5% per year notwithstanding the dismal growth rate expected for the year 2001 of no greater than 3.0%. Nevertheless, the annual average overall economic growth rate would in turn allow for an annual average growth rate of per capita income between 2 - 2.8%.

### **Social Trends**

An average per capita income growth rate of 2 - 2.8% for the next five years could increase the average income of the poor by the year 2006, but not necessarily raise the majority of the poor above the poverty line. The result would be a mitigation of the severity of poverty, as it closes the gap between the average income of the poor and the poverty line, but the absolute number of poor people would not necessarily be significantly reduced. Moreover, in the case of the rural poor, with a gap between average income and the poverty line that doubles the one at the national level, except for an increase in rural to urban migration, the percentage of the rural poor would probably increase.

Peru's fragile social progress is illustrated in the table below. Notwithstanding the decreasing trend that poverty has exhibited since 1991, the recent living standards measurement survey reported a percentage of poor people in 2000 greater than the percentage in 1994 notwithstanding a percentage decrease in 1997. In absolute terms, close to 14 million Peruvians were considered poor in 2000, almost 1.5 million more than in 1994 and 1997.

The economic recession of the last two years (1998 - 1999) decreased the national household consumption as a whole by 4.5% from the level reported in 1997. In 2000 the average consumption level of the poor was \$1.25 per day, lower than the daily level of \$1.34 in 1997. Similarly, those in extreme poverty had an average daily consumption of \$0.72 in 2000, lower than the \$0.80 in 1997. The cost of both basic baskets (for the poor and for the extreme poor) decreased and became less expensive in 2000.

A low inflation rate with a fall in relative prices in food products lowered the cost of the basic food basket used to estimate the poverty line for the poor and extreme poor. Notwithstanding that the basic goods and services basket cost less in 2000, a million and half more Peruvians were poor than in 1997. On the other hand, lower food prices, together with the social programs that aim to help them, seem to have cushioned the negative impact of the economic recession, resulting in only a slight increase (0.1%) in the percentage of the extreme poor in 2000. Nevertheless, it represented 215,000 more people in extreme poverty.

<b>Demographics of Poverty</b>	<b>1991</b>	<b>1994</b>	<b>1997</b>	<b>2000</b>
Total Population ('000)	21,966	23,130	24,371	25,662
Extreme Poor Population ('000)	5,887	4,395	3,583	3,798
Extreme Poor as a % of Total Population	26.8	19	14.7	14.8
Poor & Extreme Poor Population ('000)	12,608	12,351	12,356	13,883
Poor & Extreme Poor as a % of Total Population	57.4	53.4	50.7	54.1

Sources: INEI and Cuanto.

Between 1997 and 2000 the greatest increase in poverty by geographical areas took place in Metropolitan Lima where poverty went up by almost 10 percentage points (from 35.5% to 45.2%). In the rest of the urban areas, poverty increased by only 0.9 percentage points and rural poverty increased by 1.3 (from 64.8% to 66.1%). If these trends continue, Peruvian society could be witnessing the urbanization of its poverty in the future.

In addition, with continued negative trends in the economy, poor families, for which the growth years passed by, have been badly hurt. They already paid the price of previous adjustments but many got none of the benefits. Their limited access to schools and health, if left without support, would disappear. The income earners in the family are losing their jobs and independent workers are earning less or nothing at all. Children have been taken out of school and put to work. Social progress in Peru has slowed.

An additional area of concern is a reversal in the decreasing trend in income inequality that was observed between 1994 and 1997 in the Peruvian society. From 1994 to 1997, the commonly used measure of income inequality, the Gini coefficient, decreased at the national level from 0.392 to 0.386. In the last three years, from 1997 to 2000, the Gini coefficient increased to 0.403 in 2000.

Although inequality has increased in Metropolitan Lima for the last six years, in the rest of the urban areas and in the rural areas as well, inequality decreased from 1994 to 1997. The increase in 2000 is now both in rural and urban settings. However, in the urban areas, excluding Metropolitan Lima, the increase in inequality was greater than in the rural areas from 1997 to 2000.

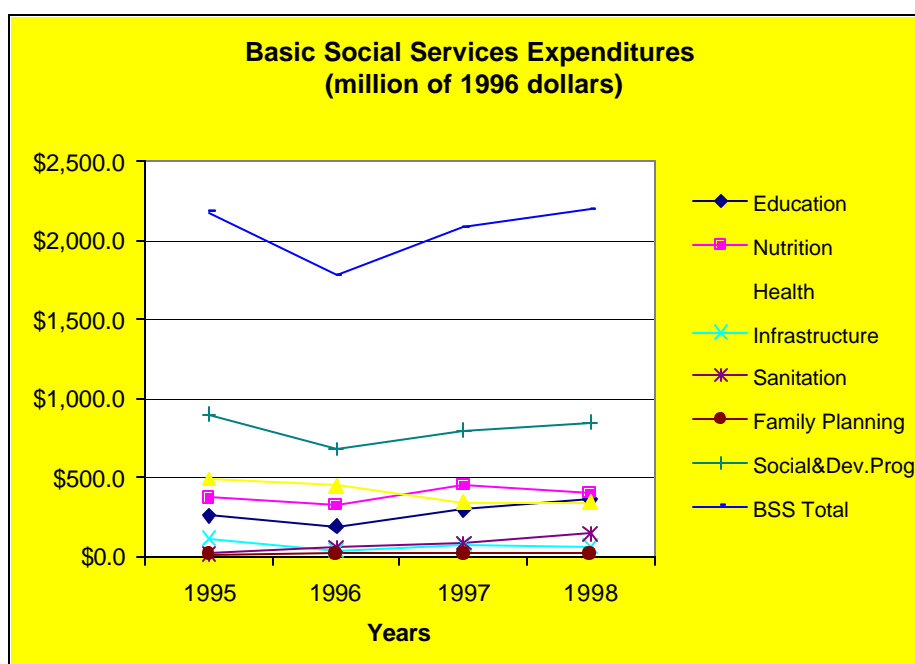
Income Inequality based on the Gini coefficient

	<b><u>1994</u></b>	<b><u>1997</u></b>	<b><u>2000</u></b>
<b>Total</b>	<b>0.392</b>	<b>0.386</b>	<b>0.403</b>
Metropolitan Lima	0.363	0.384	<b>0.404</b>
Rest Urban Areas	0.374	0.332	<b>0.370</b>
Rural Areas	0.371	0.312	<b>0.326</b>



The consequences of the increase in inequality in the Peruvian society are more meaningful when the variation in household consumption between 1997 and 2000 is measured. Households at the bottom of the social pyramid (the poorest 1<sup>st</sup> and 2<sup>nd</sup> quintiles) decreased their household consumption by 17%, while consumption for the households at the top (the richest 5<sup>th</sup> quintile), despite the 1998-1999 economic recession occurred, went up by 3%.

Since 1995, the GOP has continuously committed 40% - 44% of its central governmental budget to social expenditures. This budget allocation is made through a set of basic social services aimed at helping the poor. In addition, sectoral budgets allocate funds for the same purpose in accordance with their legal mandates. Thus, consolidating all funds that are allocated for poverty alleviation and reduction from all sources provides a better perspective of the magnitude of the efforts. In 1998, the GOP allocated \$2.2 billion to basic social services.



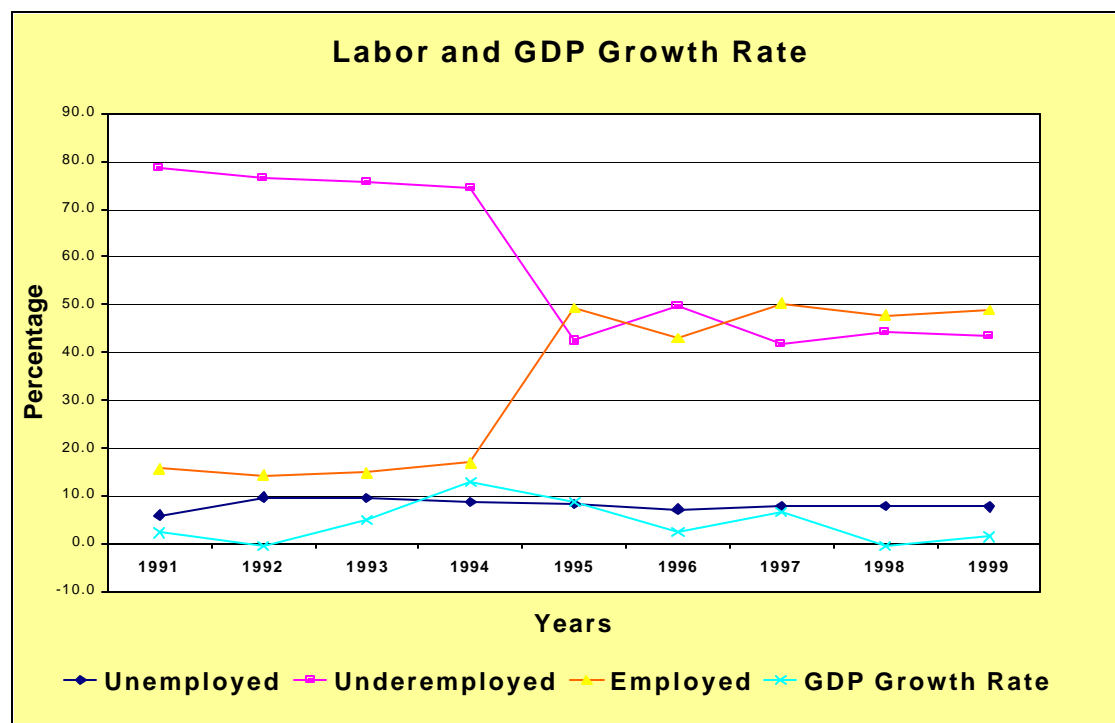
Source: UP

Basic educational services focus on primary education in poverty-stricken areas by training primary school teachers and providing them and their students with school materials. In addition, they include literacy and vocational training. Basic health services, including environmental health, aim at providing the poor with a basic package of services and materials. In addition, environmental health is also considered. Other social services include nutrition programs, educational and health infrastructure, sanitation, family planning, drinking water, rural roads and community development projects.

Although the resources allocated to each component of basic social services varies somewhat from year to year, the total funds allocated to basic social services had been increasing in real terms (base year: 1996) as shown in the table above. On the other hand, during each fiscal year cash flow constraints usually occur and/or a reduction in the fiscal deficit is warranted, thus preventing the GOP from exhausting its yearly budget. Sometimes through delayed disbursements by the treasury and outright investment cuts, government agencies are prevented from spending all that was originally budgeted. Nevertheless, the GOP's policy is to try to protect social expenditures from these cash flow adjustments and budget reductions.

Since 1994 the labor market has been more sensitive to the ups and downs in the Peruvian economy. Formal employment has increased or decreased in direct relation to the growth rate of the economy. On

the other hand, informal employment, or underemployment, has increased or decreased in an inverse relation with economic growth.



Source: INEI, MTPS

The years of high rate employment expansion appear to be over, especially in the services sector - sector that now represents 59.6% of the GDP and one that was characterized by dynamic growth in recent years. The services sector, in particular the financial area, is responding to the profit crunch by reducing severely the number of employees, and manufacturing companies are starting to do the same.

Projections anticipate a slight employment growth in the next five years but real salaries won't grow as much, and expectations are that they could stagnate or even decrease. Both private and public sector projections on employment stress the fact that these estimates are heavily dependent on the level of GDP growth.

Primary productive sectors, especially exports, are expected to grow more in volume than in value but nevertheless maintain and/or slightly increase employment in those sectors. The manufacturing and commercial sectors won't be able to contribute to the generation of employment as in the past. Construction's contribution to employment will depend mainly on the level of public sector infrastructure investments.

At the beginning of this planning period there were expectations that new economic measures would give the impulse to initiate a vigorous growth in the agricultural sector. The growth in this sector has been considered propitious to the generation of employment in order to help absorb the growth in the labor force and to contribute to slowing down the migration to major cities on the coast, especially Lima. Nevertheless, as long as political crises continue unresolved, the economic recovery will be delayed and the generation of employment will be stalled, increasing Peru's unemployment and underemployment.

## **ANNEX II: ENVIRONMENTAL COMPLIANCE**

### **A. Ongoing Activities**

All Mission activities are being implemented in compliance with previously approved IEEs or EAs. There are no outstanding issues with regard to 22 CFR 216 requirements.

SO1: All SO interventions fall under the PARTICIPE Activity which has a Categorical Exclusion Determination.

SO2: All Title II Cooperating Sponsors are complying with environmental evaluation and monitoring procedures established in approved IEEs. Updated Environmental Status Reports following USAID guidelines have been included in FY 2001 program documentation. The MSP Project is entering into its final year with no changes warranting an IEE amendment. All interventions under Poverty Reduction and Alleviation (PRA) Activity, institutional strengthening, studies, training and technical assistance, qualify for Categorical Exclusion.

SO3: All interventions qualify for Categorical Exclusions, with the exception of limited health center construction/remodeling and health center operations under the SHIP Project. In these cases, mitigation recommendations developed by the Project's Environmental Evaluation and Ministry of Health regulations for medical waste disposal are being followed.

SO4: Initial environmental analyses are being conducted for all pilot demonstration projects. Where mitigation measures have been recommended, implementing agencies and contractors are closely monitoring their adoption.

SpO5: CONTRADROGAS continues applying the environmental review and monitoring procedures approved by USAID. All 12 GOP and private implementing entities are being regularly monitored to ensure effective implementation of their environmental plans, including mitigation measures where appropriate. Environmental compliance reports are being submitted every six months to CONTRADROGAS and shared with the SpO5 team. An on-going drinking water quality survey conducted at strategic sampling sites confirms the high level of bacterial and chemical contamination. Hence, priority is being given to installing chlorination systems in numerous villages of the main coca producing valleys.

SpO6: All interventions qualify for Categorical Exclusion.

SpO7: The FRONTERAS Activity has been following the mitigation measures approved in the Threshold Decision. The BORDER Activity was approved on 09/27/2000. Its IEE and Threshold Decision provide for minor mitigation measures for community level infrastructure construction.

### **B. New Activities**

SO1: No new interventions requiring IEEs or EAs are planned under the PARTICIPE Activity. Mission will either be extending PARTICIPE into the new strategy period or developing a new project. Any new umbrella project would almost certainly receive a Categorical Exclusion.

SO2: With the exception of CARITAS, no other sponsors are expected to submit IEE amendments in FY 2001. However, potential new sponsors may submit proposals for implementation in FY 2002. A new micro-finance initiative will be designed in FY 2002, but it is anticipated that it will receive a Categorical Exclusion.

SO3: The new strategic plan is not considering activities that will require other than a Categorical Exclusion. No new SHIP health center construction is planned for 2000-2001.

SO4: The new strategic plan is proposing two new activities: Increased Environmental Demand and Awareness (IDEA), which will qualify for a Categorical Exclusion; and Strengthened Integrated System for

Environmental Management (SISEM), which may fund some environmental technology demonstrations. IEEs will be prepared for these and, if necessary, recommend appropriate mitigation measures.

SpO5: New activities different than those in progress are not planned for the upcoming years.

SpO6: No new reviews anticipated for the upcoming two years.

SpO7: No new activities are planned for FY 2001 or subsequent years.

### **C. FAA Sections 118 and 119: Tropical Forests/Endangered Species**

USAID/Peru has directed substantial resources and efforts toward combating deforestation and the loss of biological diversity in Peru through the BIOFOR Activity. Also, the LAC-funded Parks in Peril Activity supports biodiversity conservation in three sites in Peru, Bahuaja-Sonene and Yanachaga-Chemillen National Parks and, most recently, the Paracas National Reserve. With Mission support, the Global Bureau's Public Awareness and Advocacy Activity is providing a forum, through CONAM, to reconcile conflicts between industrial and conservation interests in Paracas and along the Ica Coast.

In accordance with Section 118 of the FAA, BIOFOR is providing policy assistance to the GOP's National Institute for Natural Resources (INRENA) on forest management and deforestation matters. USAID participated in the ITTO Conference held in Lima in May 2000, and has coordinated closely with other donors on various aspects of national forestry policy, which resulted in a new Forestry Law, approved in July 2000. This law now requires sustainable management plans for all new timber concessions.

BIOFOR also provided TA to the Privatization Commission's Biabo Committee to include biodiversity and social concerns in the terms of reference for new timber concessions in tropical permanent production forests and is contributing to the World Wildlife Fund's program for voluntary certification of sustainable management of tropical forests in Peru. In the southeastern jungle Department of Madre de Dios, BIOFOR supported ecological economic zoning to establish guidelines to ensure ecologically appropriate uses of the 8.5 million hectares of land in that Department, almost all of which is tropical forest. Additionally, BIOFOR partially supports the World Wildlife Fund's program for voluntary forest management certification in Peru.

Moreover, BIOFOR's biodiversity conservation efforts are concentrated in tropical forest ecoregions, where 11 of the 14 grants have been made to locally-based NGOs for demonstration projects in four of the six BIOFOR sites. These grants are developing alternatives to deforestation and more sustainable economic activities in buffer zones to natural protected areas. These grants, being carried out by locally-based NGOs, are accompanied by a training program that is strengthening strategic planning and management, as well as accounting, financial management, and reporting skills. Four of these grants support agroforestry programs that are providing alternatives to destructive agricultural practices. One grant supports the creation of a protection forest for watershed management, and another will develop management plans for timber extraction among small-scale producers. The others support improved management of fisheries, terrestrial fauna, non-timber forest products, and ecotourism.

BIOFOR is providing Conservation International with financial support in its efforts to develop the Apurimac-Amboró Biological Corridor, running from central Peru to southeastern Bolivia, in coordination with the governments of both countries. It also shares responsibilities with The Nature Conservancy and its local counterpart, ProNaturaleza in Paracas National Reserve under the LAC Parks in Peril Activity.

Additionally, the SENREM Activity provides support to an umbrella organization, the National Environmental Society, to foster better coordination on environmental issues within the not-for-profit private sector, including those related to tropical forest conservation and the protection of endangered species. SENREM also sponsors 22 grants for demonstration projects to locally-based NGOs. Among these, eight support agroforestry and other forms of more sustainable use of forest resources.

Peru has the fourth largest area of tropical forests of any country in the world. Threats to these forests are enormous in the context of economic development needs, road building, increased population pressures, a history of inappropriate land use, and new openings for foreign investment in tropical forest

areas. USAID efforts alone will never be sufficient to achieve conservation and sustainable management of Peru's tropical forests. However, USAID has constituted a donor coordination mechanism to facilitate improved cooperation among donors and GOP policy has been very supportive in recent years. Moreover, the World Bank, the Dutch, the Germans, the Finns, FAO, UNDP, the Worldwide Fund for Nature, The Nature Conservancy, and Conservation International all have major programs in Peru, with which USAID has been able to coordinate in planning and execution of forest conservation activities.

The revised SO4 Strategy for USAID/Peru proposes to continue many of these efforts with a greater concentration on policy assistance, particularly with regard to implementation on the local level, environmental education, and donor coordination. It will also support GOP efforts to meet Peru's commitments to comply with ITTO guidelines for forest management, and, in coordination with our Embassy partners, encourage the GOP to participate in Kyoto Protocol mechanisms, including investment in carbon sinks under the Clean Production Mechanism.

In accordance with Section 119 of the FAA, BIOFOR is working closely with INRENA in the GOP to determine what actions are necessary to conserve biological diversity in Peru and to give priority to these actions that address threats to the survival of animal and plant species from over hunting, the presence of toxic chemicals in water, air and soil, and the destruction of habitats. With INRENA, USAID has developed a matrix to measure the management of protected areas in Peru and to anticipate threats to the endangered species in them.

In Paracas, USAID, under the SENREM Activity has developed techniques for reducing the amounts of pump water and other residues discharged into the Bay, which are being incorporated into the development plans of the fishmeal industry there. Under SENREM, also USAID has provided support to CONAM to consolidate its institutional framework, including the development of a National Biodiversity Strategy, and to facilitate GOP participation in Conferences of the Parties of the Convention on Biological Diversity and the Framework Convention on Climate Change.

SENREM demonstration project grants to local NGOs include three for the management of natural bodies of water, including fish, shellfish, and effluent control. BIOFOR demonstration grants address the integration of conservation and development, the satisfaction of basic human needs, the achievement of equity and social justice, the provision of social self-determination and cultural diversity—particularly with regard to indigenous peoples and women—and the maintenance of ecological integrity. Thus, these efforts meet all five elements of the World Conservation Strategy's definition of sustainable development.

BIOFOR policy assistance promotes improved management of the 52 units of Peru's National System of Natural Protected Areas, now covering more than 18 million hectares, of which more than 10 million have been created since 1996 in multi-donor and GOP-sponsored participatory processes in which USAID was actively involved. BIOFOR co-sponsored, with the Dutch and GTZ, the participatory elaboration of a Master Plan for the 2 million hectare Pacaya-Samiria National Reserve that involved all of the local communities and other stakeholders. A similar process, wholly sponsored by USAID and INRENA is ongoing for the Tingo María National Park.

Under the revised SO4 Strategy these efforts will continue with greater emphasis on policy implementation at the local level in four or five areas, environmental education and donor coordination. A BIOFOR Activity Coordination Committee coordinates closely among the Dutch, Germans, Finns, FAO, and the World Bank. During this period, USAID will work closely with our Embassy counterparts and other diplomatic representations in Peru to encourage GOP compliance with the Convention on Biological Diversity (CBD), the Convention on International Trade in Endangered Species (CITES), the Ramsar Convention, and other agreements related to endangered species.

Finally, USAID is participating actively in the Environmental Initiative for the Americas Fund, which now has capital in excess of \$24 million that will support grants to local NGOs, including environmental projects related to forests and endangered species. Similarly, should the United States reach a debt relief agreement with Peru under the terms of the Tropical Forest Conservation Act, USAID will play an important role in ensuring a technically and managerially sound program for the use of those funds.

## ANNEX III: GENDER ANALYSIS

The overall goal of USAID/Peru's strategy for FY 2002-2006 is to promote sustainable opportunities for improved quality of life by strengthening democratic practices and institutions. In support of this goal, the Mission will ensure that these opportunities are available to all people, including women.

**Background.** In Peru today, households headed by women in both urban and rural areas have been most negatively affected by the recent economic and political crises. In addition, women have been identified as the heads of approximately 19.2% of households. Rural women, however, continue to experience the greatest levels of poverty. They have an illiteracy rate of 25%, whereas overall illiteracy in Peru is 7.7%. The average fertility rate in rural areas is 4.7 and 6.1 among rural women with no formal education, as compared to the national rate of 3. Early pregnancies in rural areas are also high where 20% of female teenagers have children, while the national rate is 13.4%. Women also comprise 44.7% of the economically active population, but the majority of women's employment opportunities continue to be in unstable, low-wage positions. In the formal sector, opportunities and treatment are still not equal for men and women, and unemployment and underemployment continue to affect women disproportionately.

Women's political participation has increased recently, due in part to an affirmative action law for elections. Today, women have 26% of the seats in Congress, and account for 21% of municipalities' council members. However, women tend to be underrepresented, and have less access to information and decision-making processes than do the men in their respective ethnic and socioeconomic groups. Women and men also often have distinct interests and priorities, so a gender-inclusive democratic process and a judicial system which addresses issues of concern to both women and men is essential to guarantee broader citizen participation and representative democracy. While women have made significant advances accessing service and assistance programs implemented by local governments, they are still largely excluded from economic programs and decision-making structures. In addition, women too often are not considered essential members of the network of civic organizations, which address a broad range of social, economic, and political issues affecting their families and communities, and, women's participation in positions of leadership continues to be low.

**Mission Program.** USAID/Peru recognizes that men and women face different constraints when trying to participate in and benefit from development opportunities. As the main challenges for Peru today are democratization and equity, the Mission will focus on enhancing women's political and social participation in Peru's development, particularly with regard to decision-making processes. The Mission will strive to enhance women's human capacity development, and thus education and knowledge, as these are the best tools to advance towards women's empowerment and gender equality. As poverty is one of the most pervasive sources of discrimination, violence and powerlessness, USAID/Peru will continue to focus its efforts on the poor and extremely poor women of Peru. Mission programs will actively seek women as allies to combat extreme poverty in a sustainable way.

Specifically, the proposed Mission program will focus on promoting greater levels of participation of women in democratic processes; expanding the economic viability and sustainability of women's productive activities; increasing women's access to basic health services; enhancing women's awareness of environmental hazards and promoting the sustainable use of natural resources; and improving girls' and women's educational opportunities.

USAID/Peru believes that gender issues should be fully integrated into our Program and not reported in isolation of our other objectives. Therefore, in the Strategic Plan, each SO and SpO has attempted to address the following two issues: (1) how gender relations affect the achievement of sustainable results; and (2) how proposed results affect the relative status of women. Each SO and SpO has taken into account the different roles of men and women, the relationship and balance between them, and the institutional structures that support them. Through our attention to the gender issues that exist in Peru, we anticipate that our assistance program will be more equitable, more effective, and, ultimately, more sustainable.

The following matrix summarizes USAID/Peru's contribution to the advancement of women, according to the Beijing Platform of Action and the GOP's National Plan for Gender Equality.

## Contributions of USAID/Peru Strategy 2002-2006 To Selected Beijing and GOP Objectives for Advancement of Women and Gender Equality

Selected Beijing Strategic Objectives	National Plan (2000-2005) for equal opportunities for men and women	USAID/Peru activities
<b>A. Women and Poverty</b>		<b>SO2, SpO5, SpO7</b>
A.1. Review, adopt and maintain macroeconomic policies and development strategies that address the needs and efforts of women in poverty.		Promote equal access to economic opportunities for men and women living in poverty in selected economic corridors, and targeted coca growing and border areas. Promote programs to ensure household food security in selected economic corridors and target coca-growing areas under eradication programs.
A.3. Provide women with access to savings and credit mechanisms and institutions.		Enhance access of women, particularly microentrepreneurs and small farmers to microcredit in selected economic corridors and targeted coca-growing areas. SO2 promotes job creation and lending to micro entrepreneurs; over 70% of the borrowers are women. The community activities promoted through several of the other SO's include small productive programs of which women are a high proportion of the beneficiaries.
<b>B. Education and training of women</b>	<b>1. Promote women's increased access to education, knowledge, culture and information</b>	<b>SpO6, SO2, SpO7</b>
B.1. Ensure equal access to education.	1.3 Promote timely enrollment and permanence in school for girls and adolescents.	Expand opportunities for girls' quality basic education in border and other targeted rural areas. SpO6 aims to reach 1.6 million girls in rural areas. Will create community committees to ensure girls permanence in school.
B.2. Eradicate illiteracy among women.	1.1 Reduce female illiteracy, particularly in indigenous groups and in rural areas.	Promote education for life in border areas. Through activities targeting girls education, work with Parent's Associations, and efforts that involve community participation, advocacy, and training, USAID's efforts contribute to lowering the rate of women's illiteracy, especially in rural and peri-urban areas.
B.3. Improve women's access to vocational training, science and technology, and continuing education.		Facilitate vocational training for young women in border areas. Support training of women in different skills, including health, microcredit, production and human rights promoters.
B.4. Develop non-discriminatory education and training.	1.4 Eradicate sex discrimination content in curricula, promoting the gender equity values within all educational levels.	Promotion of equity in the classroom by evaluating teaching material and classroom activities for gender equity. Training of 4,600 teachers and work with Parent Associations and others on equity issues.
B.5. Allocate sufficient resources for and monitor implementation of educational reform.		Promote policies to improve investments in quality basic education.
<b>C. Women and health</b>	<b>2. Guarantee women's integral health throughout the biological cycle, including participation in the decision-making process on their health</b>	<b>SO3, SO2, SpO7, SO1</b>
C.1. Increase women's access throughout the life cycle to appropriate, affordable and quality health care, information and related services.	2.1 Reduce maternal mortality and morbidity. 2.2 Promote the use of health services in rural areas.	Improve access and use of quality basic services in border and other target risk areas. Enhance services that are responsive to women's needs and rights. Health providers are gender sensitive, culturally aware, client-oriented, and skilled. Promote women's organizations that do outreach work. SO3 activities provide services to hard to reach rural and indigenous women through health posts and itinerant services, and through a national network of health promoters. SO3 focuses heavily on the health of mothers and their children. Emphasis is on the provision of quality care and enhancement of healthy behavior including the use of a System of Peri-Natal Information to improve indices of maternal mortality. SO3 also aids the GOP in offering quality maternal health care throughout the country.

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C.2. Strengthen preventive programs that promote women's health.	2.3 Favor prevention and reduction of teen pregnancy.	Promote information, education and communication (IEC) through mass media, partners and schools system. A pilot project is working on integrated services for adolescents; adapted Guidelines for Adolescents Preventive Services (GAPS), and training health post workers to use them. SO3 activities offer preventive services through education and counseling. and is also working with Parents Associations.
	2.5 Reduce women's drug consumption.	Throughout all activities SO3 promotes healthy behavior. Specific activities in SpO5 serve youth at risk.
C.3. Undertake gender-sensitive initiatives that address sexually transmitted diseases, HIV/AIDS, and sexual and reproductive health issues.	2.4 Prevent and protect the incidence of STD/AIDS in populations with risk behaviors and vulnerable people.	Support activities to lower or control incidence of infectious diseases including STDs and HIV/AIDS, including training of sex workers as health promoters. Promote special IEC programs to vulnerable and at risk population through popular media outlets, peer counseling and mobile clinics.
C.4. Promote research and disseminate information on women's health		Will continue supporting studies on women's health. Studies have included one on menarche; one on the demand for CHM services nationwide; two ethnographic studies on maternal mortality and traditional methods of tending births.
C.5. Increase resources and monitor follow-up for women's health.		Promote improved investments in quality basic health (SO2 and SO3). Monitor the respect of sexual and reproductive rights through the Office of the Ombudsman.
<b>D. Violence against women</b>	<b>3. Prevent, attend and punish any type of violence against women, so it can be eradicated</b>	<b>SO1, SO3, SpO7</b>
D.1. Take integrated measures to prevent and eliminate violence against women.	3.2 Promote increased civil society awareness on family violence. 3.3 Improve services for domestic violence victims and promote integral attention to the problem.	Increase access to mechanisms for the protection of women, particularly in border areas. Provide training in conciliation, and trained health promoters to recognize and refer victims; have made free legal services available to low income women victims of domestic violence. Training and dissemination activities through SO1 human rights partners. Have worked in several local communities and trained over 1,300 human rights and democracy promoters who deal with domestic violence as a human rights issue. Ministry of Justices sponsored legal clinics. Ombudsman's supervision to public services responsible for protecting victims of violence. Provide limited support for PROMUDEH and work to prevent and treat domestic violence via SO3. Local structures such as the Warimi-Wasi are involved in this effort.
D.2. Study the causes and consequences of violence against women and the effectiveness of preventive measures.	3.1 Promote studies and research directed to increase knowledge on family violence.	Promote the Office of the Ombudsman's periodical reports on status of official protection programs on violence against women. USAID supported first survey on the prevalence of domestic violence in Peru. SO3 activities develop detection methods and assessment through a network of clinics.
<b>E. Women and armed conflict</b>		<b>SpO7</b>
E.4. Promote women's contribution to fostering a culture of peace.		Promote establishment of educational program for boys and girls to foster a culture of peace, non-violent conflict resolution and tolerance. Promote peace consolidation through study exchanges, particularly for young women.
<b>F. Women and the economy</b>	<b>4. Promote access to and women's position in the labor market</b>	<b>SO2, SpO5</b>



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F.2. Facilitate women's equal access to resources, employment, markets and trade.	4.2 Promote women's access, under equal conditions, to resources, employment, markets and trading.	Foster economic infrastructure to promote equal access of men and women to markets in selected economic corridors and target coca-growing areas. Pay special attention to women's needs when disseminating information on businesses services, markets, technologies. Provision of business development services and introduction of new technologies will be distributed sectorally to promote overall balance between the sexes, including increased income and employment generation.
F.3. Provide business services, training and access to markets, information and technology, particularly to low -income women.		
F.6. Promote harmonization of work and family responsibilities for women and men.	4.4 Promote the equal share of family responsibilities as a basic condition to promote the efficient development of a policy for equal employment opportunities.	
<b>G. Women in power and decision-making</b>	<b>5. Promote women's social and political participation and access to decision-making opportunities</b>	<b>SO1, Sp07, Sp05</b>
G.1. Take measures to ensure women's equal access to and full participation in power structures and decision-making.	5.1 Adopt measures to guarantee women equal access and full participation in power structures, decision-making, as well as promoting shared responsibilities.	Ensure inclusion of at least 25% of women in candidates' lists for Congress and local governments. Promote civil society organizations advocacy for women's issues. Encourage equal access to leadership positions in civil society and grassroots organizations. All SO1 efforts to promote the strengthening of civil society organizations to improve their capacity to advocate or to play leading roles, enhance the participatory capacity of women and their positioning in leadership roles, All SO's and SpOs have citizen participation or local participation components, in which both women and men play important roles, but women's social and political participation is fostered.
G.2. Increase women's capacity to participate in decision-making and leadership.	5.2 Increase women's capacity to participate in decision-making processes and in authority levels. 5.3 Enhance women's social and political participation through the promotion of leadership and women's organizations.	Support training for local governments' and community organization's leadership positions. SO1 fosters the increased political participation of women through several of Peru's strongest women's organizations. Promote education that fosters girls' self-esteem and leadership (Sp06, Sp07).
<b>H. Institutional mechanisms for the advancement of women</b>		<b>SO1</b>
H.1. Create or strengthen national machineries and other governmental bodies.		Support the Ombudsman Office for Women's issues. Support the Congress Commission for Women and technical assistance on gender considerations for legislative measures and public policies.
H.2. Integrate gender perspectives in legislation, public policies, programs and projects.		
H.3. Generate and disseminate gender-disaggregated data and information for planning and evaluation.		Encourage collection of sex-disaggregated data for research, monitoring and evaluation by USAID. Produced "Report on the Situation of Girls in Peru"; study on menarche; in-depth, qualitative study of rural girls; compilation of an open-agenda for the education of the rural girl; studies on early-childhood development and readiness for school.
<b>I. Human rights of women</b>		<b>SO1, Sp07</b>
I.1. Promote and protect the human rights of women, through the full implementation of all human rights instruments, especially the Convention on the Elimination of All Forms of		Support to Ombudsman. Support and training of human rights promoters.

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Discrimination against women.		
I.2. Ensure equality and non-discrimination under the law and in practice.		Support identification and advocacy for women and men unjustly accused of terrorism, legal clinics and alternative dispute resolution. Develop mechanisms to protect women's rights, particularly in border areas. Support gender-sensitive training of judges and other officials in border areas.
I.3. Achieve legal literacy.		Enhance gender-sensitive, culturally aware human rights training, particularly for vulnerable populations, including women and indigenous people.
<b>J. Women and the media</b>		<b>SO1</b>
J.1. Increase the participation and access of women to expression and decision-making and through the media and new technologies of communication.		Support for efforts to improve media performance, including the valuing of women and girls through an integrated gender perspective. Support media programs with gender approach to public agenda, including women's issues. Training provided to professionals in the media, as well as support for Human Rights and Women's organizations that are vigilant about stemming discriminatory treatment of women.
<b>K. Women and the environment</b>		<b>SO4, Sp07, Sp05</b>
K.1. Involve women actively in environmental decision-making at all levels.		Ensure women's participation in development, implementation and evaluation of natural resources management plans, projects and technologies. Promote the respect of practices related to the use of ecologically sound traditional medicine, biodiversity and indigenous technologies.
K.2. Integrate gender concerns and perspectives in policies and programmes for sustainable development.		Identify and address environmental health problems. Integrate gender concerns in environment related policies.
<b>L. The girl-child</b>		<b>Sp06, Sp07, SO1</b>
L.2. Eliminate negative cultural attitudes and practices against girls.	3.4 Modify school curricula to include values such as tolerance, respect, peace and equity and train health, education and justice workers on these themes.	Increase community awareness of importance of and factors affecting girls' education. Encourage gender sensitive training to teachers. Encourage implementation of school curricula that promotes democratic values and practices, gender equity and long-life relevant curriculum in rural areas, including sound health, nutrition, environmental and production practices. Through SpO6 and SO1, work with schools and with Parents Associations to promote democratic values.
L.3. Promote and protect the rights of the girl-child and increase awareness of her needs and potential.		
L.4. Eliminate discrimination against girls in education, skills development and training.		
L.5. Eliminate discrimination against girls in health and nutrition.	1.2 Promote integral development of boys and girls under three years of age, particularly those at risk.	Promote the inclusion of health and nutrition training in primary school curricula. Girl's readiness for school is a primary concern of SpO6, which also includes activities that focus on infant stimulation and early childhood development in Aymara communities.
L.7. Eradicate violence against the girl-child.		Increase awareness on children's rights (SO7).
L.8. Promote the girl-child's awareness of and participation in social, economic and political life.		
L.9. Strengthen the role of the family in improving the status of the girl-child.		Promote parental and community participation in girls' education efforts.